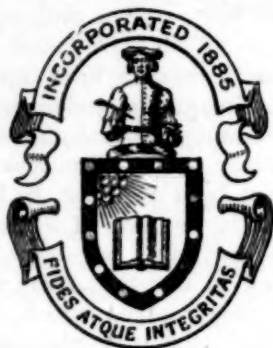


The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF
The Society of Incorporated Accountants
and Auditors



THE INCORPORATED ACCOUNTANTS' JOURNAL is published monthly, on the first day of each month, at an Annual Subscription of 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. 3d., postage extra.

Communications respecting the general business of the paper to be addressed to the Secretary of the Society of Incorporated Accountants and Auditors, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2. Cheques and postal orders should be made payable to the Society, and crossed "Bank of England."

Contents.

	PAGE
Professional Notes	43
The Service of Accountancy (Article)	46
What is a Charitable Trust? (Article)	47
Exclusive Rights to Business Names (Article)	48
Incorporated Accountants' London and District Society: Inaugural Meeting	49
Sir Charles Wilson and Leeds: Presentation of Portrait	50
Annual Returns of Trade Unions	50
Incorporated Accountants' Lodge	51
Public Auditors	51
Claims for Accountancy Charges	52
Professional Appointment	52
Reviews	52
Inspectors of Taxes and their Correspondence	53
Changes and Removals	53
Rationalisation of Industry: Lecture by Mr. Percy H. Walker, Incorporated Accountant	54
Influences Affecting the Value of Securities: Lecture by Mr. Hartley Withers	59
West of England District Society of Incorporated Accountants: Annual Dinner	68
Chartered Institute of Secretaries: Annual Report	69
Annual Dinner	70
District Societies of Incorporated Accountants	71
Incorporated Accountants' Golfing Society	74
Society of Incorporated Accountants and Auditors: Membership	75
Correspondence: Income Tax and Costs of Production	75
Service of Accountancy in the Present Age	75
Scottish Notes	76

Professional Notes.

INCORPORATED ACCOUNTANTS will learn with sincere regret that Sir Charles Wilson, Past President of the Society of Incorporated Accountants and Auditors, and one of the leading citizens of Leeds, has sustained a breakdown in health. In another column will be found testimony of the regard and esteem his fellow-citizens

of Leeds have for him, without distinction of class or party. Sir Charles is meeting his illness with characteristic courage, and he will be sustained by the knowledge that, as in Leeds, he possesses a warm place in the hearts of thousands of others who have learned to regard him as a great and gallant fighter in every cause he makes his own. It is an interesting fact that Sir Charles Wilson's portrait, presented to him by the citizens of Leeds, will be hung at Templenewsam, the historic mansion presented by Lord Irwin (at that time the Hon. E. F. L. Wood), who received the Honorary Freedom of the City and a degree from the University in 1923 on the same occasion as Sir Charles Wilson. It will be remembered that our report last month of the proceedings of the Incorporated Accountants' Conference mentioned the despatch of a telegram to Sir Charles expressing the regret of the members at his absence, and hoping for his restoration to health.

The inaugural meeting of the Incorporated Accountants' London and District Society was held on Tuesday, October 21st, with Mr. Thomas Keens, F.S.A.A. (ex-President of the Parent Society) in the chair. There was a large attendance of London members. Officers and Committee were appointed, the President being Mr. Thomas Keens, and the Vice-President Mr. Richard A. Witty. Certain arrangements were approved for the Winter Session, which will be opened with a luncheon at the Connaught Rooms on November 25th. We understand that this inauguration completes for the time being the scheme put forward by the Branches and District Societies Committee of the Council.

Some correspondence has been taking place in the public Press with regard to the fixing of the remuneration of auditors of public companies, a matter which is sometimes left in the hands of the directors. Sect. 132 (6) provides that the remuneration of the auditors of a company shall be fixed by the company in general meeting, except that the remuneration of an auditor appointed before the first general meeting, or of an auditor appointed to fill a casual vacancy, may be fixed by the directors. From this it seems tolerably clear that apart from the excepted cases the remuneration should be fixed by the shareholders. The difficulty is that this entails the fixing of the fee in advance of the performance of the work, and it is not always easy to gauge what a suitable remuneration would be. There does not, however, seem to be any particular reason why the shareholders, having had the matter under consideration, should not authorise

the directors to settle the amount of the audit fee which could, if thought necessary, be confirmed at a subsequent general meeting of the company. The directors are in the best position to gauge what an adequate remuneration should be, and the shareholders are usually guided by them as to the amount which they vote.

The Court of Appeal have reversed the decision of Mr. Justice Rowlatt in the case of the *Seaham Harbour Dock Company v. Crook (Inspector of Taxes)*, which raised the question whether an advance received for the purpose of their works from the Unemployment Grants Committee was liable to be assessed for income tax. The Dock Company found that the capital they were authorised to raise for the extension of their docks was insufficient, and the grant from the Unemployment Committee was obtained on the assurance of the company that it would provide work at a time when work was scarce. The Committee sanctioned a grant equivalent to half the interest at a rate not exceeding $5\frac{1}{2}$ per cent. per annum on approved expenditure met out of loans for a period of two years from the date or dates on which the payments were made.

It was held by Mr. Justice Rowlatt that, in the circumstances, the grant was "an annual profit or gain" and was liable to income tax, but the Court of Appeal have taken a different view. In their opinion the Grants Committee did not say that they would provide interest, but that a grant would be made equivalent in amount to a sum calculated by reference to a particular formula. The mere mode of payment and the method of ascertaining the amount paid did not alter its character. The grant should accordingly be regarded as capital provided for the purpose of enabling the work to be carried on. Their Lordships could find no ground for holding that the contribution was made in respect of the company's trade, as there were no profits of the company to which the grant could be allocated.

An interesting appeal from the decision of Judge Turner in the Westminster County Court came before Mr. Justice Swift in the King's Bench Division last month in the case of *Carpenter v. Haymarket Hotel, Limited*. The question was the responsibility of the hotel for jewellery which had been lost. A visitor at the hotel had left a diamond ring in a jewel case inside her suitcase. The door of the room was locked and apparently the key was handed to the hall porter. Notices appeared in the bedrooms that the company would not be responsible for any

property lost in the hotel and that "all articles of value should be deposited at the office and a receipt obtained for the same." The County Court Judge decided in favour of the hotel, holding that although he was satisfied that the hotel visitor had taken reasonable care of the ring, the notice in the guest's bedroom exempted the hotel from liability.

This decision has now been reversed. Mr. Justice Swift, in giving judgment, said that although the County Court Judge was perfectly right in coming to the conclusion that the plaintiff had not been negligent, he had failed to appreciate that in the case of *Jones v. Jackson*, on which he had relied, all that the decision there amounted to was that there was evidence in that particular case on which the jury was entitled to find that the plaintiff had been guilty of negligence. An innkeeper, he said, was an insurer, and *prima facie* was liable for the goods of his guests up to the limit of £30 fixed by the Innkeepers' Liability Act of 1863, and it seemed to him to be quite unarguable that a man or woman who leaves some valuable article in his or her bedroom shows an intention to relieve the innkeeper of his common law liability to insure it against theft or loss.

The decision in this case seems to open up a dangerous avenue in the case of persons who are either careless or forgetful. Small articles of jewellery are frequently lost and afterwards found in places totally different from where the owner felt confident they had last been left. A person's memory is particularly liable to be mistaken in such matters, and nobody is more surprised than the owner when the article is found in a place where it was not expected.

Speaking on the subject of Cost Accounts at Edinburgh University, Professor William Annan, C.A., said that one of the many benefits of cost accounts was that they showed business people the cost of an article, process or service rendered. In addition they were good detectives as they prevented wastage and leakage and helped to reduce the cost of production. It was sometimes objected that cost accounts were unreliable and expensive. There was no reason, he said, why they should be unreliable, because a system could be produced which was scientifically correct, and, if they were unreliable, then something was wrong with the control. That he considered was the rock upon which many systems of cost accounts had foundered.

Like other countries, Italy is finding that its Company laws are not satisfactory, and after an investigation by a Royal Commission a Bill has been drafted and is now under the consideration of the Italian Cabinet. The final draft of the Bill is not yet definitely settled, but it is understood that provision is made for the appointment of properly qualified auditors and for the issue of consolidated balance sheets by concerns which own subsidiary undertakings. Hitherto in Italy there has been no specified qualification for an auditor of a public company.

An analysis of the earnings of 555 American industrial companies which has been made by the National City Bank of New York for the first half of the current year shows decreases in profits as compared with the first half of 1929 and of 1928 amounting to 30 per cent. and 6 per cent. respectively. The earnings on the total funds invested for the same period were at the rate of 9.2 per cent. per annum for 1930 as against 14.8 per cent. for 1929 and 11.6 per cent. for 1928. Notwithstanding the fall in the rate, 9 per cent. is not an insignificant return, but we doubt whether this will be maintained during the second half of the year.

During the Michaelmas Law Sittings which began last month a heavy list of cases will have to be dealt with. Appeals number 105 compared with 83 for the corresponding term of last year, while the Chancery Division, with 306 cases, shows an increase of 76. The increase in the work of the King's Bench Division is still greater, there being no less than 1,004 actions for trial as against about 700 in the corresponding term of 1929.

The President of the Faculty of Actuaries in his Presidential Address at Edinburgh the other day referred to the extraordinary improvement in the vitality of the nation which had occurred in the past 50 years. According to the English Life Tables the rates of mortality for males had in that period decreased by as much as 40 per cent. between the ages of 20 and 50. This decrease he attributed to scientific discoveries and the improved standard of living of the people. The consequence had been that in recent years the companies had granted increased rates of bonus, while at the same time the rates of premium in the case of non-profit policies had been largely reduced.

In concluding his Address, the President referred to the subsidiary benefits now granted in

connection with life policies, such as disability benefits payable on total disablement, and double indemnity benefits enabling double the sum assured to be claimed in the case of death by accident. British offices, he said, had found it necessary to add these "frills" to the ordinary life policies on account of the competition of overseas companies, but care would have to be taken that these new types of benefit were placed on a sound financial basis. In this connection one of the well known British companies has devised a "Benedicts" policy which after the first five years may be changed from a whole life to an endowment basis by payment of a further premium on a stated scale. This is a distinct advantage in many cases, as the policy holder is not bound to make up his mind at once whether he will ultimately prefer a whole life policy or an endowment policy.

The total number of savings certificates sold up to September 20th, 1930, is stated to be 983,500,000, and it is anticipated that within the next six months the number will reach 1,000 millions. The savings certificates remaining invested at the present time amount to £361,000,000 with accrued interest of £122,000,000. It is interesting to note that the weekly average figures of investments in these certificates for the present year are higher than for several years past, which is somewhat surprising in view of the widespread industrial depression. It is estimated that the total money invested in small savings in Great Britain amounts to about £1,948,000,000, including savings certificates, savings bank deposits and securities, building society share capital and deposits, and funds of industrial, provident and friendly societies, &c.

The increasing use of electricity is clearly shown by the official reports rendered to the Electricity Commissioners. During the month of September, 1930, 833,000,000 units of electricity were generated by authorised undertakers in Great Britain, while in the corresponding month of 1929 the number of units was only 755,000,000. There is thus an increase of over 10 per cent. During the nine months of the present year up to September 30th the corresponding increase was just under 6 per cent., from which it would appear that the rate of increase is progressive. London and the Home Counties seem to be well to the front in this development. The report of the Joint Electricity Authority for that area for the year ended March 31st last showed an increase over 1927-28

of 15½ per cent. in the number of units generated and no less than 39½ per cent. in excess of the year 1926-27.

The amount of new capital issued in this country during the month of September was £5,039,000,000—the smallest for any month in this year—while the total for the nine months to September 30th when compared with the corresponding period of 1929, shows a drop from £224,000,000 to £170,000,000. In 1928 the figure was as high as £269,000,000. Something more than one-half of the new capital, namely, £93,000,000, has been raised for undertakings in the United Kingdom, about £45,000,000 for the Overseas Dominions, and the balance of £32,000,000 for foreign countries.

We publish this month a letter from a correspondent with regard to a Professional Note which appeared in our last issue, in which we stated that so far as manufacturers and traders are concerned Income Tax is a charge on the business. We did not say, as he indicates, that Income Tax is "a direct cost of production," but that it is "a direct addition to the cost of production," which is not quite the same thing. To be precise, neither is a turnover tax, to which the Colwyn Committee refer, a direct cost of production. It arises only when the goods are sold, but, in arriving at the net profit, it must, like Income Tax, be added to the costs already ascertained. Moreover, high taxation affects the cost of raw materials.

It is quite true that income tax is not incurred unless profits are made, but in considering this matter it is necessary to bear in mind that those engaged in commercial undertakings go into business with the object of making profits, and not in anticipation of incurring losses or merely covering expenses; therefore they naturally regard taxation as a charge which has to be borne before they have a balance which can be withdrawn for personal use. The consequence is that they cannot leave out of consideration the amount which has to be disbursed year by year for Income Tax on the profits earned. What the precise amount will be must be a matter of estimate, but it is obvious that the higher the rate of Income Tax the larger the drain on the business, and consequently the larger the out-going which must be taken into account. An expense is none the less a business charge because it happens to be payable to the Inland Revenue.

THE SERVICE OF ACCOUNTANCY

THE paper by Mr. C. Hewetson Nelson, F.S.A.A., Past President of the Society of Incorporated Accountants and Auditors, read by him at the Incorporated Accountants' Conference recently held at Sheffield, and published in our last issue, maintains the reputation of the author as a member of our profession possessing a wide outlook, together with a clear vision of what is necessary to keep modern accountancy practice in conformity with the needs of the times. In his opening remarks Mr. Nelson observed how consistently the Society had reminded its members of the broader issues involved in their professional career, and in this connection he cited the paper given by Mr. George S. Pitt, F.S.A.A., in 1922, in the Guildhall, London, on "Accountancy as a First Aid to Commercial Recovery." He also drew attention to Sir Josiah Stamp's paper submitted to the Society in Liverpool in 1921 on "The Relation of Accountancy to Economics." The introduction of Economics as a subject in the syllabus of the Society's Final examination some ten years ago was, as Mr. Nelson said, largely due to the inspiration of Sir Josiah Stamp, and it must be all to the good of the nation in these days that there is a body of men being trained who are able intelligently to study the world position of industry and commerce with all its repercussions on our national life.

In the forefront of his paper Mr. Nelson put the question of national and local expenditure in relation to national economy, and in discussing the gigantic increase of 675 millions in our national expenditure since 1913-14 he rightly said that no effective attempt at reduction by any Government seemed to have been made during the period under review. When Mr. Nelson turned from national to local expenditure he found that the increase (in the figures available) was 350 millions. Accountants, said Mr. Nelson, had been called "the watch-dogs of commerce," but the time had come when they must greatly extend their interpretation of that phrase in order that all influences which affected commerce should not be overlooked.

Mr. Nelson next discussed "Rationalisation in relation to Trade and Commerce," and asked his audience not to overlook the fact of the decline of Britain's external trade. While taking Mr. Nelson's injunction to heart, it is advisable not to be too pessimistic, because as he himself reminds us there has been a piling up of world stocks, and it is necessary for a proper understanding of the position to adopt a world survey. To go back to Rationalisation, Mr. Nelson emphasised

that amalgamations and mergers, unless they led to reduced costs of production, failed to fulfil one of their main purposes. To ration out among various works the existing output did not, in Mr. Nelson's opinion, solve the trade problem. He maintained that to achieve its object rationalisation must increase consumption as well as reduce selling prices. Provided quality is not sacrificed in the process this is what ought to follow, unless purchasing power is becoming too impaired to take advantage of the position created.

In recalling the title of his paper, Mr. Nelson said that the accountancy profession had adapted itself to changed conditions and had responded to the opportunities which legislation and other circumstances had offered. The Great War, when the Cabinet laid down that the profession of accountant was of national importance, placed fresh responsibilities on the shoulders of all qualified practitioners, and from the position then attained the profession cannot turn back. Mr. Nelson pointed out that, although the methods and organisations of a practising accountant's office were fairly well known, systems must be reconsidered from time to time in the light of modern methods, together with the kind of service which practice afforded the clients. Use could be made of office machinery, such as adding and calculating machines, but it was necessary to understand what such machines were capable of accomplishing, the circumstances under which they might be usefully employed, and, what was important, the limitations of their usefulness. In Mr. Nelson's view there was an increasing need to differentiate between the essential and the less important. It was essential that principals should devote themselves to the main business of the practice and increasingly delegate to their managing and other clerks the large amount of detail work which fell to be done. Moreover, there was the constant need for principals and seniors to keep their professional knowledge up to date, and this demanded constant study of professional literature.

On the subject of professional education and examinations, Mr. Nelson said that the report of the Departmental Committee on "Registration" left no reasonable room to doubt that the maintenance of the standard of accountancy as a profession would continue, without legislative protection or provision, to rest in the hands of the leading bodies of accountants, and he attributed to the Society's system of examinations, professional training and education the reputation which Incorporated Accountants enjoyed and the high standard of professional skill which their designation implied.

The strength of the practising accountant, in Mr. Nelson's opinion, is based upon the independence of his position, a high standard of professional conduct, and a mind which is both critical and constructive. "We may not," he said, "always be technical experts in any particular business, but we have seen many, and we know by experience the points of weakness and strength and to that extent we are obliged to make suggestions outside the area of our own immediate work." We are glad to note Mr. Nelson's reference to a paper read 30 years ago at a Conference of Incorporated Accountants by the late Mr. Harry Lloyd Price on "Professional Ethics." We agree with Mr. Nelson that the principles which Mr. Price then laid down as governing the conduct of our professional business and our relations with clients carry to-day the same weight of moral and intellectual conviction as when Mr. Price submitted them in the year 1900. The relations between the accountant and his client are comparatively fixed, and as a rule such relations cannot be changed with the same degree of ease as other business relations.

Mr. Nelson put before the Conference several practical suggestions for consideration, and we hope that these suggestions will be found valuable in the light of experience. In concluding a thoughtful address, Mr. Nelson said that, looking back over the past, we could all rejoice at the progress which had been made in accountancy as a profession since the Society was founded 45 years ago. At present the profession in some quarters might be suffering from the universal business depression, but when the looked-for revival came to the world of commerce as a whole, Incorporated Accountants would contribute their share of work and responsibility to the improvement on which our hopes are set.

WHAT IS A CHARITABLE TRUST ?

IN some twenty odd instances during the past twelve months the Courts have been called upon to decide whether or not a particular bequest constituted a valid charitable trust. Legacies to the Pope, the Archbishop of Canterbury, to trustees for the establishment of a sanctuary for animals, and in one remarkable case, for the provision of trousers for boys, have occupied the time of learned Judges—to mention only a few of the cases. In every instance the facts were more or less peculiar, but, without exception, the legal point at issue was the solution of this riddle: Was the bequest a valid charitable trust ?

The significance of this series of decisions depends upon the fundamental rule of equity that a trust will fail on the ground of uncertainty if the persons who are to benefit therefrom are not defined with nice precision by the settlor. If, then, a testator, instead of leaving his residuary estate to his kinsmen, gives it to trustees for the use of an indefinite group of persons, the gift will fail, and the kinsmen will receive the residue, because the beneficiaries under the trust are not defined with that degree of certainty which equity demands.

There is, however, one exception to the rule that a trust for the benefit of uncertain persons must fail. The rule does not apply where the trust is held to be a "valid charitable trust"; hence the popularity of those actions in which disappointed kinsmen try to convince the Courts (a) that a bequest is not a valid charitable trust; (b) that the beneficiaries are not defined with certainty; and (c) that the bequest must therefore fail—to their advantage.

What, then, is a valid charitable trust? The term has been defined by Lord MacNaughten as a trust for (i) the relief of poverty, or (ii) the advancement of religion, or (iii) the advancement of education, or (iv) some other purpose beneficial to the community, not being, however, merely for the purposes of sport or hospitality. Practically every word of this definition has been the subject of debate and the law reports are full of cases turning upon the meaning of Lord MacNaughten's phrases. It has been held, for example, that a trust for the benefit of the blind is not necessarily a trust for the relief of poverty. It must be shown that the testator intended to benefit poor blind persons only; though there will be a strong presumption that this was his intention in the absence of evidence to the contrary. Again, it has been held that a trust for the provision of a cup to be given annually to the winner of an athletic contest open only to the pupils at a certain public school is a trust for the advancement of education, and, therefore, a valid charitable trust. But where the cup is to be competed for by the members of a yacht club, the trust will fail, for, in that case, it is not charitable.

The phrase "for the advancement of religion" has also given rise to controversy, gifts for the benefit of secular societies, for the purpose of ensuring that masses shall be said for the repose of the testator's soul, and, in a recent case, a gift for the purpose of "spreading Christian principles"—an object which was to be attained by "aiding all active steps to minimise and extinguish the drink traffic"—occupying the

attention of the Courts. The cases in this last group are particularly instructive; they illustrate the power of the Courts to supply the law with that vitality without which it might well become an intolerable burden. Ancient decisions, though they may have provided justice when they were delivered, are not infrequently unjust in the light of modern manners and requirements. A rigid legal system would insist on the injustice; but our legal system is sufficiently elastic to allow the judges, who administer it, to adapt old cases to the new requirements. Thus, if, a century ago, a testator had left property to a secular society, the bequest would undoubtedly have been considered void, but to-day a testator who honestly believes that a gift to such a society will benefit mankind can make the gift by will; for the Courts will hold that such a gift is for "the advancement of religion." And this is the most forcible reply to those who would codify each and every branch of English law.

EXCLUSIVE RIGHTS TO BUSINESS NAMES.

THE general principle of the law is that where a firm (or person) by long and wide use of a particular name has acquired a reputation under that name it has an exclusive right to its use if it can show that it will be damaged by another person or firm taking the same name. The law is anxious to make fraud or deceit difficult by whatever means such fraud or deceit may be brought about, including the use of a particular name. If members of the public are in fact shown to have been misled, even the most innocent intentions will not help the firm which has appropriated the name of another. A name is appropriated even when not the actual name itself, but a colourable imitation of it is used. For example, an injunction was recently obtained by *The Gas Light and Coke Company* from the Court to restrain the use by another firm of the name *The Metropolitan Gas Light and Stove Company*, on the ground that customers or potential customers of the older firm might be, and in some cases had actually been, deceived into placing orders with the newer concern on the assumption that they were dealing with the first-named.

In a well known case, in 1914, the Court said that an intention to obtain goods by false pretences might well be inferred by the Judge if a person whose name was Whitmore, knowing that under that name it would be impossible to obtain goods on credit, orders them under an assumed name, Beach. Obviously, in itself there was

nothing to prevent Whitmore trading under the name "Beach"; it was only the use of it, or rather its abuse, which brought him within the meshes of the law. Even to use one's own name may be an injury to another. Thus, for a man whose real name is Singer to set up as a dealer in sewing machines might well damage the well known business long established under that name. No general rules can be laid down; each case must be considered having regard to all the circumstances; what may be a long and wide use in one trade in one area might be regarded as a short or limited use in another trade or district.

The use of another's name in business is one of the many aspects of what is generally termed the "passing-off" of goods, a mischief which may range from mere bad taste or low business ethics to a very grave wrong which can be remedied at law by an injunction to restrain the use of the name with or without the further remedy of compensation to the extent of the pecuniary damage done. The wrongful use of a name may arise not only by conducting a business under a name which has already acquired a reputation in connection with another but also by marketing a particular commodity under a name which has led or is liable to lead to confusion.

It should be observed that the measure of protection which is accorded to names under the law is quite distinct from other forms of protection which are available under the rules governing copyright, patents, trade marks and designs; it has very frequently been before the Courts in connection with names and titles used by publishers and authors. For instance, the *Morning Post* once found itself faced with possible danger from an evening paper launched under the name the *Evening Post*; they applied for an injunction but failed, because they were unable to prove either that their circulation had gone down owing to the appearance of the evening paper or that any of their readers or advertisers had been misled into supposing that both journals were under one and the same proprietorship. On the other hand, the publishers of an established work called *Bell's Life*, on proving that a new publication entitled *Penny Bell's Life* had misled people into placing orders at the offices of the latter which were really intended for the former did succeed in their action.

Again, failure met the attempt of *The Licensed Victuallers' Company*, who had launched a newspaper called *The Licensed Victuallers' Mirror*, to restrain the publication of a rival organ under that identical name, the reason being that at the time when they issued their writ they them-

selves had published for only three days, and had achieved a circulation of only eighty copies; neither the time during which, nor the extent to which they had used their name was sufficient to enable them to stake out a claim to the name.

The continued use of a name by a firm after the person really entitled to use it or with whom it has become associated in the public mind may be a ground for dissolution of a company, a point which was illustrated in the petition recently presented by Miss Gladys Cooper for the dissolution of the company which sold beauty preparations under her name. The unauthorised use of a name may also be grounds for a libel action, as was shown in the case in which a firm of chocolate manufacturers recently got itself into difficulties for the use of a famous golfer's name (and picture) in their advertisements.

Incorporated Accountants' London and District Society.

INAUGURAL MEETING.

The inaugural meeting of the Incorporated Accountants' London and District Society was held on Tuesday, October 21st, at Incorporated Accountants' Hall. Mr. Thomas Keens, Chairman of the Branches and District Societies Committee of the Council, was in the chair.

The minutes of the meetings of the Provisional Committee having been read and approved, the Chairman outlined the aims of the Society, emphasising the need for the co-operation of Incorporated Accountants in London and the neighbouring counties in order to complete the organisation of the District Societies Scheme.

ELECTION OF OFFICERS AND COMMITTEE.

The following Officers and Committee were elected:—President, Mr. Thomas Keens; Vice-President, Mr. Richard A. Witty; Honorary Treasurer, Mr. Edward Baldry; Committee: Mr. Henry Morgan, Mr. E. Cassleton Elliott, Mr. W. Norman Bubb, Mr. T. F. Grundy, Mr. Walter Holman, Mr. J. R. Maskell, Mr. W. Paynter, Mr. W. A. Pearman, Mr. J. Scott-Moore, Mr. A. J. H. Shay, Col. W. A. Sparrow, Mr. F. W. Stephens, Mr. Joseph Stephenson; and Mr. G. Roby Pridie and Mr. William Strachan nominated by the Incorporated Accountants' Students' Society of London; Auditor, Mr. C. B. Hewitt.

PROGRAMME FOR 1930-31.

The following arrangements were approved:—

- Nov. 25th, 1930. Complimentary Luncheon to Sir James Martin at the Connaught Rooms.
- January, 1931. Social function.
- February, 1931. Lecture by Dr. W. H. Coates.

Mr. John Potter, J.P., Incorporated Accountant, Blackpool, has been adopted as the Conservative Candidate for the Eccles Division of Lancashire at the next General Election.

SIR CHARLES WILSON AND LEEDS.

Presentation of Portrait.

It was with feelings of intense gratification that subscribers to the Sir Charles Wilson Testimonial Fund found it possible for Sir Charles to be present in person at the Leeds Town Hall on October 10th to receive tributes which were spontaneous by many of his fellow citizens to Sir Charles's worth as a citizen, and his public services freely and willingly given for nearly half a century.

The Fund reached a total of rather more than £885, and the Committee, in consultation with Sir Charles Wilson, decided that the money should be utilised in the first place for a portrait in oils, the remainder to endow a "Sir Charles Wilson Cot" in the Leeds General Infirmary. A small balance was used for the purchase of a wristlet watch for Lady Wilson as a suitable memento of the occasion.

The portrait, which has been painted by Mr. R. G. Eves, is in half-length, and depicts Sir Charles in his robes as an honorary Doctor of Laws in the University of Leeds. The pose is characteristic of the subject, the artist having caught Sir Charles in a happy mood with a smiling face. After receiving the portrait Sir Charles presented it to the Corporation Libraries and Art Gallery Committee, with a view to it being suitably hung at Templenewsam, and for the endowment of the cot at the General Infirmary he presented the Infirmary with a cheque for £500.

Sir Charles was accompanied by Lady Wilson and her two daughters, Miss Hill and Mrs. Illingworth, and the Lord Mayor (Mr. N. G. Morrison) presided over a large attendance.

The Lord Mayor said he felt certain he was speaking for the whole city when he said how deeply sorry they were at Sir Charles's breakdown in health. That knowledge strengthened the bond of affectionate respect in which he was held by all. (Applause.) After referring to the objects of the Testimonial Fund, the Lord Mayor said it would be impossible for any man to have been engaged in public life as had Sir Charles without having been constantly at issue with those whose opinion did not coincide with his, but on that occasion all differences of opinion and controversy were swept away. They were united in paying their testimony of their high regard and affection for Sir Charles. (Applause.)

In acknowledging the gifts, Sir Charles thanked the subscribers, and said he desired it to be known to them how much he loved Leeds and them, as they were part of Leeds. He asked the Chairman of the Art Gallery Committee to accept the portrait and place it in a room at Templenewsam. He also asked that a picture he had of Templenewsam, by a French artist, dating back to the time of Queen Anne, should be placed with it, together with various relics of the Templars which were in his possession. It gave him the greatest pleasure to hand over the cheque to the Leeds General Infirmary, and it recalled to his mind that over forty years ago he undertook missionary work on behalf of the Leeds Workpeople's Hospital Fund, and raised £15,000. To-day the Fund raised £46,000 in a year.

Mr. J. Thornton formally accepted the portrait on behalf of the Libraries and Art Gallery Committee, and, referring to Sir Charles Wilson's many tremendous qualities, said he wished sometimes that some of Sir Charles's detractors had half the qualities that Sir Charles possessed.

Mr. Middleton having accepted the cheque with grateful thanks, the Lord Mayor handed to Lady Wilson the

wristlet watch, suitably inscribed, at the same time paying a graceful tribute to the way Lady Wilson had always helped Sir Charles in his public work.

Lady Wilson briefly thanked the donors.

Yorkshire Post.

Members of the Chamber will associate themselves with the many tributes that have been paid to Sir Charles Wilson on his retirement from civic life. There will also be profound regret because ill-health has caused him to take this step, for there is no doubt but that the city will be poorer because of the absence of such a robust personality. Ever a keen political fighter, Sir Charles had set his heart upon leading his forces through the miniature general election which will take place shortly in Leeds, but the fates have decreed otherwise. Apart from politics, however, Sir Charles has earned the sincere respect of every member of the community because of his personification of the spirit of citizenship. Throughout nearly forty years of his life he has given willing service for the city he loves, and he prizes no honour higher than the freedom of the city conferred upon him by a grateful Council.

Leeds Chamber of Commerce Journal.

ANNUAL RETURNS OF TRADE UNIONS.

The following is an extract from the Report of the Chief Registrar of Friendly Societies on the accounts of Trade Unions :—

As a result of the examination of the annual returns it was necessary to send back a number for correction, chiefly on account of differences in the particulars brought forward from the previous year or inaccurate or incomplete accounts. Annual returns were not, however, generally returned for correction if the information required could be obtained by other means, and it was found possible to deal with many cases by inquiries only or by scrutiny of printed accounts.

In some instances it was necessary to urge unions to obtain professional assistance with the view of putting accounting methods on a satisfactory basis and furnishing correct returns. In the case of the Sheffield Wool Shear Workers' Trade Union the returns for many years had been unsatisfactory and the Chief Registrar repeatedly advised the Union to obtain professional assistance. When at length this was done in connection with the accounts for 1925 the return brought into account a sum of cash in hand which had been omitted from the previous return. Subsequent returns were, however, audited by members of the Union, and the return for 1928 was so unsatisfactory that it could not be filed. After much endeavour to secure a satisfactory return the Chief Registrar communicated with one of the Union's trustees, urging in the interests of the members that there should be a professional audit of the Union's accounts. A public auditor was employed and a satisfactory return has been furnished. The errors discovered, in this case, were not of serious amount, but they affected the amounts of cash for which officers were responsible.

The auditor of a Scottish Union in a special report called attention to inaccuracies in the branch returns and urged the need for a fresh form of quarterly return for the use of branches. The Union, in reply to an inquiry from the Assistant Registrar, stated that a new quarterly return sheet was being prepared in consultation with the auditor and that standardised loose-leaf ledgers and cash books were issued to the branches.

INCORPORATED ACCOUNTANTS' LODGE.

The installation meeting of the Incorporated Accountants' Lodge was held at Northumberland Rooms, London, W.C., on Tuesday, October 28th, when Bro. James C. Fay was installed in the chair, in the presence of a large assembly, by his predecessor, Bro. W. C. Chaffey. Among those present were Bro. Sir James Martin, P.G.D., Bro. M. J. Faulks, P.A.G.D.C., Bro. F. S. Gaylor, P.A.G.R., Bro. J. P. Mountjoy (W.M., Chartered Accountants' Lodge), Bro. F. C. Bramble (W.M., Semper Vigilans Lodge), Bros. A. R. King Farlow, John Fay, William H. Fay, Roland Burrows, Clement Gatley, S. L. Pearce, R. Wilson Bartlett, Thomas Keens, Henry Morgan, Henry J. Burgess, W. Holman, W. H. Payne, and A. A. Garrett.

Bro. Fay appointed and invested his officers as follows:—Bro. Arthur Anderson, S.W., Bro. H. T. Gore Gardiner, J.W., Bro. W. H. Payne, L.R., Treasurer, Bro. M. J. Faulks, P.A.G.D.C., Secretary, Bro. F. E. Clements, L.R., D.C., Bro. A. V. Huson, S.D., Bro. R. E. Johnston, J.D., Bro. Richard A. Witty, L.R., A.D.C., Bro. H. J. Burgess, Almoner, Bro. A. R. Chart-Leigh, Organist, Bro. F. J. Nash, I.G., Bros. W. A. Pearman, W. J. Crafter, C. A. Holliday, A. S. Darr, Stewards, and Bro. J. W. Yacomen, P.A.G.D.C. (Bengal), Tyler.

At the dinner in the evening the health of the Worshipful Master was proposed by Bro. Sir James Martin, who said that he had known Bro. Fay for a period of 30 years. He had rendered conspicuous service to the Society of Incorporated Accountants, especially during the War period, and had endeared himself to all the members of the Society. He had played an important part in the foundation of the Incorporated Accountants' Lodge, and during the whole period of its existence he had ably assisted the Secretary in his duties. They were all pleased and proud to see him occupying the chair, and they were confident that under his Mastership the Lodge would continue the progress which had been made during the nine years of its existence. The toast was drunk with great enthusiasm, and Bro. Fay, in replying, said that he was keenly sensible of the honour the Lodge had paid him and that no effort on his part would be spared to deserve the kindly words which had been used by Sir James Martin in proposing the toast.

The toast of "The Visiting Brethren" was given by Bro. M. J. Faulks, P.A.G.D.C., and was responded to by Bros. A. R. King Farlow, J. P. Mountjoy, F. C. Bramble, and Mackenzie Hay, who all spoke in high terms of the hospitality which had been extended to them, and expressed their great appreciation of the privilege of being present on that occasion.

During the course of the evening a silent tribute was paid to the memory of the late Bishop of Worcester, Dr. E. H. Pearce, who was a Past Grand Chaplain of the Order, and who had been a personal friend of Bro. Sir James Martin for over 50 years. Bro. Witty offered the congratulations of the Lodge to one of their own members, Bro. J. Stewart Seggie, as the author of a work of great historical value which had recently been published under the title of "The Annals of the Lodge of Journeymen Masons."

The proceedings throughout the evening were marked by the utmost cordiality and were fully in accord with the high standard which the members of this Lodge have deliberately set for themselves.

The new Secretary of the Lodge is Mr. M. J. Faulks, M.A., 8-9, Martin Lane, Cannon Street, London, E.C.4.

PUBLIC AUDITORS.

The following is an extract from the report of the Chief Registrar of Friendly Societies for the year 1929:—

Fifteen public auditors were removed from the List on death, eight on resignation, one through failure to render a return of audits, three as a result of inefficient audits, one through failure to conduct audits when appointed to do so, and four on removal from or ceasing to practise in the district for which they were appointed. In addition, seventeen were removed from the List as no audits had been conducted by them for several years. The number of auditors included in the List for 1930 was 1,188. The average number of societies per public auditor of those required by statute to employ the services of a public auditor was 5.2 for England and Wales and 4.1 for Scotland.

The following table is compiled from the returns made by public auditors, and gives comparative particulars of audit work performed during the years 1928 and 1929:—

Year of Audit.	Number of Audits.*				No. of Auditors on List.	No. of Auditors employed by Societies.	Average No. of Audits per Auditor.*	Fees charged.
	Sect. 1.	Sect. 2.	Sect. 3.	Total.				
1929	5,375	1,512	148	7,035	1,180	1,636	6.8	£123,479
1928	5,457	1,457	152	7,066	1,164	1,040	6.8	£122,328

* Disregarding quarterly or half-yearly audits.

Sect. 1 of the table relates to societies registered under the Industrial and Provident Societies Acts; sect. 2 to societies and branches registered under the Friendly Societies Act (excluding collecting societies); and sect. 3 to collecting societies. The fees shown in the last column are exclusive of additional charges in respect of travelling expenses or work done for the society outside the scope of the statutory audit.

The decrease in the number of audits in sect. 1 is mainly attributable to a return not being available through the death of a public auditor who had previously conducted a large number of audits falling in this section.

It is worthy of note that no fewer than 91 public auditors furnished returns showing that they had completed no audits during the year.

During the year 145 applications were made for appointment. Seventeen applicants did not follow up their applications on receipt of forms; in 25 cases the applicants had not the necessary qualification for appointment; in eighteen they had not been in practice with the requisite qualification for a sufficient period; and in fifteen the localities in which they practised were considered to be adequately served. In the remaining cases the applicants were recommended for appointment, or their names were noted for consideration when suitable vacancies arise. The number of applications from duly qualified accountants practising in the larger towns is usually in excess of requirements.

It is satisfactory to note that there was an increase in the number of audits conducted by public auditors for societies registered under the Friendly Societies Act. Of late years it has been frequently urged upon the Registrar by societies that employment of a public auditor by friendly societies should be made a statutory requirement.

CLAIMS FOR ACCOUNTANCY CHARGES.

The hearing of claims in connection with Excess Profits Duty came before Mr. Justice McCardie in the King's Bench Division on October 23rd.

Plaintiffs were Mr. David Maurice Wortman, of Craighuish Avenue, Norbury, and Mr. Robert Francis Bullett, Incorporated Accountant, of Muswell Avenue, Muswell Hill, the defendants being the Home Brewery, Limited, Daybrook, Nottingham.

There were two claims. One was for £2,402 4s., the balance due under an agreement in writing contained in two letters; the other was for £646 16s. due for services rendered by plaintiffs to defendants in connection with the investigation of the defendants' accounts by the Inland Revenue between May, 1926, and April, 1929.

It was explained that under the agreement the brewery firm should pay plaintiffs 25 per cent. in the event of them assisting defendants to establish a claim upon any sum assessed upon the defendants by the Government, or actually paid by the defendants to the Government in respect of excess profits duty.

Plaintiffs, it was asserted, established a claim for £10,028 16s., and the claim had been admitted by the Government.

Mr. Bullett said that he was an Incorporated Accountant, and according to arrangements made with Mr. Wortman he undertook to investigate the defendants' accounts with the view of making a claim for Excess Profits Duty. Witness explained that the officials of the Inspector of Taxes were quite as clever as other accountants. They scrutinised, picked holes in the accounts, and would often ask questions which had to be replied to in writing.

If the answers of the taxpayer showed any doubt, the Authorities probably gave him the benefit of the doubt as a concession. It was in such cases as these where the professional accountant called in with a view to a claim under the Excess Profits Duty had to be careful. The Authorities might say that, as the matter had been re-opened, they would withdraw the previous concession. In a case where there was a possibility of a counter-claim, witness invariably advised his clients not to claim.

Mr. Charles John Pain, a Fellow of the Institute of Chartered Accountants, and auditor to the defendant company, gave evidence.

Mr. Comyns Carr, for the plaintiffs, said that, as a result of His Lordship's efforts, they had arrived at terms, which would be endorsed on briefs. Subject to His Lordship's approval, there would be judgment for £646 16s. for Mr. Bullett, in addition to money which had been paid into Court; further, the defendants to pay to the plaintiffs three-quarters of the taxed costs of the action.

His Lordship said that he was glad that a satisfactory settlement had been reached, and he appreciated thefulness and ability with which the witnesses had given their evidence.

Professional Appointment.

Mr. William Fisk, Incorporated Accountant, has been appointed Borough Accountant of Maidstone in succession to the late Mr. J. W. Walsh.

Reviews.

Voluntary Liquidation. By A. C. Hooper, Solicitor and Notary. London: Gee & Co. (Publishers), Limited, 6, Kirby Street, E.C. (222 pp. Price 12s. 6d. net.)

This is an admirable little book dealing very clearly with the new provisions relating to voluntary liquidations as embodied in the Companies Act, 1929. Starting with a chronological list of the steps to be taken in the course of the winding-up, the author describes the procedure in relation to the meetings of members and creditors, the position with regard to the landlord, the effect of the winding-up on contracts, the admission and rejection of proofs, the disclaimer of onerous property, &c. The appendix contains a large number of forms; also extracts from the Companies Act, 1929, giving the sections affecting voluntary winding-up and the rules and forms applicable thereto. The matter is well arranged and is supported by references to legal decisions or sections of the Act. Mr. Hooper has produced a very useful handbook for anyone concerned with the voluntary liquidation of companies.

Business Charts. By T. G. Rose, M.I.Mech.E. London: Sir Isaac Pitman & Sons, Limited, Parker Street, Kingsway, W.C. (94 pp. Price 10s. 6d. net.)

Those concerned with the preparation of business charts will find this book very interesting and instructive. The author deals with charts of many different kinds, including circle charts, symbolic charts, bar charts, line charts, multiple control charts and Z charts, examples being given in each case.

Modern Business Routine in the Home Trade and Export Trade. By R. S. Osborne, A.C.I.S. London: Effingham Wilson, 16, Copthall Avenue, E.C. (Volume I, 256 pp. Price 3s. 6d. net. Volume II, 344 pp. Price 5s. net.)

These are companion volumes by the same author, the one dealing with Home Trade and the other with the Export Trade. The books give a detailed description of the procedure in carrying out the modern routine of our Home Trade and Overseas Trade, the documents generally in use being explained and exemplified, together with illustrations of the treatment of actual shipments of goods. As regards the Export Trade, several chapters are devoted to the procedure in regard to customs in relation to importation, exportation and trans-shipment of free goods and dutiable goods respectively. The appendix contains information respecting foreign and colonial currencies, weights and measures, &c., and numerous specimens of forms used in connection with the shipment of goods enhance the value of the book.

Technique of Efficient Office Methods. By P. T. Lloyd. London: Gee & Co. (Publishers), Limited, 6, Kirby Street, E.C. (164 pp. Price 10s. net.)

Although the author devotes a chapter to the various uses of office machines, the book has a wider scope and deals with methods of sorting, protective devices, duplicating, calculating and general control, the text being illustrated by numerous forms and diagrams. At the end of the book a useful list is given of suppliers of office equipment.

Rights and Duties of Liquidators, Trustees and Receivers. By D. F. de l'Hoste Ranking, Ernest E. Spicer, F.C.A., and Ernest C. Pegler, F.C.A. 17th Edition. London: H.F.L. (Publishers), Limited, 17, Ironmonger Lane, E.C. (400 pp. Price 15s. net.)

The alterations in connection with liquidations brought about by the Companies Act, 1929, have necessitated a reconstruction of the portion of the book dealing with

this subject, and all recent case decisions of importance have been incorporated in the text. Otherwise the form of the work is on the same lines as hitherto.

Investigations: Accountancy and Financial. By J. H. Burton, *Incorporated Accountant*. London: Sir Isaac Pitman & Sons, Limited, Parker Street, Kingsway, W.C. (162 pp. Price 5s. net.)

To write a text-book on investigations presents many difficulties owing to the fact that so much depends upon each individual case, but Mr. Burton, after dealing with the general aspects of the subject, proceeds with no small measure of success to prepare the reader for the considerations arising on almost every kind of investigation that accountants are likely to be called upon to undertake. The value of the book lies to a great extent in giving the opening moves upon which any particular class of investigation must be founded.

The Company Secretary. With Forms and Precedents. By W. H. Fox. London: Gee & Co. (Publishers), Limited, 6, Kirby Street, E.C. (470 pp. Price 42s. net.)

Starting with a summary of the Companies Act, 1929, Mr. Fox proceeds to explain the duties of a secretary in connection with the formation of a company, the proceedings of directors, the allotment and transfer of shares, Stock Exchange quotations, office books and numerous other matters. This is supplemented by a large number of forms relating to practically every feature of the affairs of a limited company. The forms contain specimen entries so as to indicate clearly how they are to be filled up. These forms include those relating to General Meetings, proxies, demand for a poll, &c., share warrants to bearer, allotment forms, share register, and numerous forms relating to voluntary liquidations.

Bills of Exchange, Cheques and Promissory Notes. 4th Edition. By A. M'Neil, M.A., S.S.C. Edinburgh: W. Green & Sons, Limited. (196 pp. Price 6s. net.)

This is a useful little summary of the Law relating to Bills of Exchange. The text is well arranged and simply stated, and while written from the point of view of the Scottish reader, it explains the material distinctions which still exist between the laws on this subject in England and Scotland.

Agricultural Accounts. By T. Wheeler Meats, *Chartered Accountant*. 3rd Edition revised by L. F. Foster. London: Gee & Co. (Publishers), Limited, 6, Kirby Street, E.C. (56 pp. Price 6s. net.)

The method of keeping agricultural accounts as originally set forth by Mr. Meats has been adhered to in the present edition, the only variations being a few alterations in the text to bring certain features of the accounts up to date. The method of dealing with the figures is simple and effective, enabling the necessary records to be made with a minimum of labour.

Emery's Receivers and Liquidators. 2nd Edition. By R. Borregaard, M.A., *Barrister-at-Law*. London: Effingham Wilson, 16, Copthall Avenue, E.C.2. (222 pp. Price 12s. 6d. net.)

This book is intended especially for the use of receivers in cases where the conduct of the receivership is outside the Court. It incorporates the alterations in procedure brought about by the passing of the Companies Act, 1929, and is therefore entirely up to date. The division of voluntary liquidations into two classes and the new procedure introduced in connection therewith at various stages of the winding up are carefully set out.

INSPECTORS OF TAXES AND THEIR CORRESPONDENCE.

We think we are safe to say that 90 per cent. of letters received from Inspectors of Taxes omit to give the reference of their correspondent although they invariably give their own reference. The result is that in accountants' offices where large numbers of Income Tax cases are dealt with a great deal of time is wasted. As the Inland Revenue officials expect their references to be given when replying to their letters, it is surely not too much to ask them to show equal courtesy to their correspondents. We suggest that an instruction from Head Office to this effect would save a great deal of time and trouble.

Changes and Removals.

Messrs. Barton, Mayhew & Co., Chartered Accountants, announce that they have admitted into partnership as from October 1st, 1930, Mr. H. E. Colesworthy, A.C.A., A.S.A.A., who has for a number of years been a member of their staff. Mr. Colesworthy was awarded the Gold Medal at the Incorporated Accountants' examinations in 1920, after his return from active service.

Messrs. James Boyd & Co., Incorporated Accountants, announce their removal from Raleigh House, Queen Street, to 2, Wellington Place, Belfast.

Messrs. J. Hulbert Grove & Co., Incorporated Accountants, London and Wokingham, announce that they have taken into partnership Mr. E. A. Fox, Incorporated Accountant. They have also opened a further branch at 8, Alexandra Road, Reading.

Messrs. A. E. Quaife & Johnson, Incorporated Accountants, announce that their Tunbridge Wells address is now 43, Mount Pleasant Road.

Mr. T. Rimington, Incorporated Accountant, has removed to Roxburgh House, 6, New Walk, Leicester.

Mr. G. Watkinson Roberts, Incorporated Accountant, practising as Watkinson Roberts & Co., at 10, Essex Street, Strand, London, W.C., and at 505, London Road, Southend-on-Sea, announces that he has taken Mr. W. Rosser James, A.C.A., into partnership as from October 1st, 1930. The practice will continue to be carried on at the same addresses and under the same style as heretofore.

Mr. Cedric Norman Walter and Mr. Henry John Lester, Incorporated Accountants, announce that as from October 1st, 1930, they have amalgamated their practices, which will be carried on under the style of C. N. Walter, Lester & Co., at 275, Finsbury Pavement House, London, E.C.

Rationalisation of Industry.

A LECTURE delivered before the South Wales and Monmouthshire District Society of Incorporated Accountants by

MR. PERCY H. WALKER,
INCORPORATED ACCOUNTANT.

Mr. WALKER said: I was particularly struck with the warning note sounded by Mr. Hewetson Nelson, in his wonderfully instructive paper on "The Service of Accountancy in the Present Age," of the danger of considering Rationalisation as the "cure all" of all our industrial ailments, and the amount of misconception there was concerning rationalisation and all it stands for. I propose, therefore, to investigate in my lecture this evening the origin of the phrase, to try to see what it really means, and then to glance at those countries where, in one form or another, schemes which profess to be rationalisation have been adopted and to see what conclusions can be drawn from the results achieved.

INCEPTION OF THE TERM "RATIONALISATION."

Prior to the League of Nations Conference at Geneva in May, 1927, the word in its present application was practically unknown. At this Conference, two committees were set up, one dealing with Commercial and the other with Industrial problems. After numerous meetings and discussions the Industrial committee passed a series of resolutions which were finally adopted by the Conference as a whole. As these resolutions mark the inception of the phrase and all that it means, I think it will be useful as a first step if we consider the recommendations in detail, and we shall then be able to see to what extent they have been adopted and how far the spirit underlying them has in many cases been completely missed.

The resolutions adopted by the Committee on Industry on May 17th, 1927, read as follows:—

"Whereas the rational organisation of production and distribution is one of the principal factors in increasing output, improving conditions of labour and reducing costs of production,

"And whereas such rationalisation aims simultaneously at:—

"1. Securing the maximum efficiency of labour with the minimum of effort.

"2. Facilitating by a reduction of variety of different patterns (where such variety has no obvious advantage) research into methods of manufacture, the use and replacement of standardised parts.

"3. Eliminating waste of raw material and power.

"4. Simplifying unnecessary transport, excessive financial burdens and the useless multiplication of middlemen.

"And whereas the judicious and constant application of this process of rationalisation is calculated to secure:—

"1. To the community greater stability and a higher standard of living.

"2. To the consumer lower prices and goods more carefully adapted to his needs.

"3. To the various categories of producers, larger and more certain remuneration to be fairly distributed among them.

"And whereas rationalisation must be applied with the care necessary to prevent injury to the legitimate interests of the workers and suitable measures must be taken which do not impede the process in cases where, in the early stages, it may involve unemployment or more arduous conditions of work; And whereas rationalisation requires in all that

concerns the organisation of labour in the strict sense of the term, the co-operation of the employers and the assistance of professional and industrial organisations and of scientific and technical experts.

"The International Economic Conference recommends that Government, public institutions, professional and industrial organisations and the general public should:—

"1. Influence producers to direct their efforts along the channels described above and in particular that they should

"(a) Encourage and promote in every possible way the ascertainment and comparison of the most efficient methods and the most practical processes for rationalisation and scientific management and of their economic and social effects.

"(b) Apply this process in industry, agriculture, trade and finance, not merely to large scale undertakings but also to medium and small undertakings, and eventually craftsmen and tradesmen, bearing in mind the useful results it is likely to have in the organisation and the requirements of domestic life.

"(c) Direct special attention to suitable measures for ensuring the best, healthiest and most dignified employment of labour such as occupational selection, guidance and training the distribution of labour and leisure, methods of remuneration which give the worker a fair share in any increase in output and in general conditions of labour and living favourable to the development and the strengthening of his personality.

"2. Carry on systematically on an international as well as a national scale the standardisation of materials, parts and products of all types of goods of international importance in order to remove the obstacles to production and trade that might arise from a policy of purely national standardisation.

"3. Undertake investigations on an international scale with a view to ascertaining the best methods employed and the most conclusive results obtained in every country on the application of the principles set forth above, making use of the investigations already carried out in certain countries, and encourage the exchange of information among those concerned.

"4. And diffuse in every quarter a clearer understanding of the advantages and obligations involved by rationalisation and scientific management and of the possibilities of their general application."

ANGER OF PURELY "NATIONAL" LIMITATIONS.

Before we pass on to the consideration of how these recommendations have been adopted I want to call your attention particularly to the point made in the recommendations that the investigations and standardisations should be on an international as well as a national basis, and it is interesting in this connection to read what Dr. Hermann Levy, of Berlin, one of the leading German Industrialists, wrote recently on this matter.

"One leading cause of the continuance of the present trouble is the desire that seems to possess every nation, small or great, oriental or occidental, to stand alone economically and to secure an impossible and uneconomic independence of all the rest of the world. The struggle for this policy is seen in the English safeguarding acts and colonial policies. It is seen in the endeavour of the United States to shake themselves free industrially and commercially from Europe. Instead of trying to make the cost as small as possible by widening the market, the nations one and all are straightening the market and raising tariff

walls, yet greater production at less cost is the great need of the time. Re-adjustment of war debts would certainly help us all, especially the weaker brethren."

Whilst I do not wish to associate myself with any shade of political thought in this paper, I merely give you this quotation for your consideration. One of the things we are undoubtedly suffering from is the indulgence of the wild advocacy of the adoption of the American system of industry in Europe. This would be all very well were conditions in any way comparable, but Europe is suffering from a shortage of capital which the United States has not experienced in recent years.

Further, the ratio of capital and labour in both Continents is quite different and, of course, we get the extraordinary paradox in contemporary European economics that whilst both workmen and machinery are idle the real lack of raw materials fails to impress itself upon industries and there seems to be no shortage of consumers' goods, whilst the standard of living is higher than in pre-war days. Even those who are not working are adequately provided for. There is an undoubted shortage of capital to work the existing technique of industry. Industrialists, during the boom period, extended their works and increased their plant with the result that they now have neither the money nor the market to work upon.

The alternative appears to be either a lower technique or unemployment, and of these two we appear to have chosen unemployment. The full capacity of industry is not being utilised, and overhead charges cannot be covered except by prices which scare away the consumer, and it appears clear that our consuming power is less than our capacity for production. It is evident that unemployment and comparative over-production will remain with us for some time to come and the need for some definite step along one or more of the paths indicated by the recommendations of the League of Nations Assembly must undoubtedly be taken.

PRACTICAL APPLICATION IN OTHER COUNTRIES.

Let us now see how far and in what directions these recommendations have been put to practical application by the various European countries. There has been a decided tendency during the last 50 years towards the development of a variety of organisations for limiting competition. A particular example of this is the participating cartel system adopted in Germany. These cartels comprise a selling syndicate by which the producers bind themselves to establish for a definite period a joint selling agency for the exclusive sale of the particular product, each producer being allotted a participation or quota in the total output. Those producers who exceed their quota of production pay a fine or penalty, whilst those who are in deficit receive an indemnity. The selling agency is usually registered as a company in which the producers are shareholders with voting powers in proportion to their output. The basic price is fixed at a figure covering the producers' cost and there is an accounting price at which members sell to the syndicate. In some cases the price to the consumer is adjusted for different parts of the world, whilst in the case of some German cartels there is an export subsidy.

There are also the various financial combines, where two or more companies interested in the same commodity agree to pool their profits and divide on a pre-arranged proportion. The cartel system must undoubtedly do away with the middleman. The system is open to abuses and this has been clearly recognised in Germany, and a Cartel Court has been set up to deal with abuses of economic power. *Inter alia*, it was decreed that every agreement controlling supplies and prices must be in writing, and that

if such agreement is detrimental to the public interest (particularly if supply and demand are restricted in a manner not economically justifiable, if prices are raised or kept high, or economic freedom is unreasonably restricted by boycott in buying or selling or by discrimination), the Minister of Economic Affairs may apply to the Cartel Court to have the agreement declared void, and may issue an order to the effect that any party to the agreement may terminate it.

I want to point out here that there is a distinct difference between a cartel and a trust. In the latter the economic independence of the component units is completely submerged, whereas in the cartel it is definitely maintained, each works having a distinct profit and loss account of its own. Broadly speaking, there are two classes of cartels—"Area" cartels and "Output" cartels, which set up conditions and regulate methods of trading.

It is sometimes contended that the phenomenal improvement in the German coal industry can be attributed to the adoption of the cartel system. That this was a factor cannot be denied, but how far it can be credited with the improvement and how much is attributable to the Dawes plan and the payment of reparations in kind, or how far the disastrous coal strike of 1926 and the dislocation of the British coal output contributed to this improvement, is too big a question to even touch upon in a paper of this length.

The voting trust, so common in America, has not so far gripped Europe, although the welding of companies by the exchange of shares and the formation of holding companies has increased greatly.

The cartel system has practically not been tried in this country, as our Common Law embargo on all agreements in restraint of trade has made the formation of the syndicates impossible. The Tariff question has played a big part. As Dr. Moritz Bonn wrote:—"Protection in Germany, so far as it could be called a success, was due to the exploitation of a tariff by means of organised cartels. Where they had monopolised an industry completely so that they could control the selling agencies of the country, they could prevent foreign imports by controlling the dealers. In such a case they could monopolise the market without a tariff. Cartels and trusts had come to stay. If such monopolies were going to make tariffs absolute, they had to face a problem. If industrialists were freed from the necessity of facing competition with all its drawbacks and risks, they could not have the same right to enjoy the bounties which free competition offered to the victor." They must apply the principles of restricted privileges. Two circumstances in any country seem to produce a "cartel"—acute depression and intense competition. As these two elements have been present in the economic life of every European nation since the war, there is little wonder at the growth of the cartel. This, however, is already giving place in Germany to what is known as "the Konzern," which is a big group of business interests, and can be created by an "Interessen-gemeinschaft," which is the pooling of profits and their distribution according to quota, or by the interlocking of directorates and exchange of shares, or by the leasing of works to one company by another, or by manufacture in agreed factories.

EFFECT OF INFLUX OF AMERICAN FINANCE.

Germany has already taken to copying America in the matter of trust formations, and I think it will help us in our realisation of the general position if we discuss for a moment the effect of the supply of American finance to European industry during the post-war years. The rapid recovery of Europe has allayed the fear that was growing

in America as to the security for their loans, which according to recent figures of the Department of Commerce has grown to the colossal figure of 12,000 million dollars. There certainly was cause for alarm in 1923 when the German mark slumped and the results of years of thrift on the part of the German people disappeared in a night, but a complete metamorphosis has taken place.

The new German currency has been firmly linked with gold and the gold reserve in the Reichsbank increased from 110 million dollars in April, 1924, to 460 million dollars in March, 1927. The German National Budget has been balanced and her export trade is steadily on the increase. France has also shown remarkable power of financial and commercial recovery, and once again Paris plays a large part in the regulation of the gold movements of the world. The franc has been definitely stabilised and this already has had its effect upon industry. When the German steel manufacturers allowed France to take a high quota in the International Steel Cartel they did not foresee this financial recovery, with the result that France now finds herself oversold and the German steel manufacturers are short of their quota. Another factor which gives the United States faith in the belief that slow moving economic forces can ultimately solve the problems at first sight insoluble, was the recovery of Britain from the General Strike of 1926.

Some economists, Sir George Paish amongst them, consider that America is creating credit on a scale which cannot last. A great smash must come unless America changes her financial policy. Germany has borrowed vast sums to buy what she required, and Italy is unable to sell enough to buy what she requires. How were they going to repay America? Yet the nations of the world were imposing restrictions on trade which were literally driving the world to bankruptcy.

It has been necessary to give this brief survey of financial relationship between various countries in order to get into proper focus what happened in Germany after the stabilisation of the mark, and to what extent their efforts at rationalisation have achieved success.

The question has already arisen in America as to how Europe can continue indefinitely to pay interest and principle on its accumulating debt to the United States if such payment is not to be made by the excess of imports over exports. At present the balance of payments is being maintained by further loans to Europe which run annually to a billion dollars. If this perpetual increase of the total balance continues, the time must come when America would be the virtual owner of the whole of the European industrial plant and there is no doubt that it is the recognition of this fact that has precipitated the efforts at reconstruction in Europe. The role in which America now appears, that of Creditor-Nation to Europe, is new for her although it is one which we in this country have held in the past, but there is the fundamental difference that when Britain was developing distant lands with her capital, imports into Britain always exceeded exports, whereas the United States maintains an export surplus and is keeping out the goods of those very countries which she is financing.

I cannot do better than quote Mr. Tudor Davies' words, to whom I am indebted for much of the information I have used in compiling this paper, as to what really happened immediately after the stabilisation of the mark:—

"There was a very great shortage of capital and ready cash in every form, on account of the fact that a depreciation of the currency has the effect of destroying working capital. For some time after stabilisation there was a tremendous disproportion between the

means of production and the goods in demand and ready capital, necessitating heavy foreign borrowings. The first thing the German industrialists did was to borrow on short term—chiefly from London and New York. This short term borrowing created a very dangerous situation, especially as the industry was trying to keep going to the extent of the production of the period of inflation, and the consequence was that prices were very high and stocks went on increasing. Virtually, the industrialists were manufacturing the stock and not worrying about markets. The Reichsbank saw the danger of the situation and curtailed credits, with the result that a slump and a fall in prices ensued. Again, towards the end of 1924 there was a great deal of foreign borrowing still on short term, and prices went up again and industries expanded, but still on too high a price level. At the beginning of 1925 there came the worst slump of all, and bankruptcies rose to about two thousand a month.

"The whole nation now seemed to realise the essentials of the situation; it had taken them some eighteen months to do so. The reorganisation of industry commenced in earnest. Some firms went out of business altogether, and others limited the amount of output to the working capital. Then there was a movement towards horizontal expansion as against the vertical development of the inflation period, giving the industrial leaders the supreme advantage, which was very difficult under the vertical system, of closing down the inefficient works. There were two ways of doing this, firstly, by unrestricted competition leading to bankruptcies of the inefficient; and secondly, by way of combination into large concerns, which having combined, declared that the inefficient works must close down. Germany used both methods, although in the less important and less organised industries the stark hand of bankruptcy succeeded in the elimination of the inefficient. Combination was the method used in the heavy industries—for example, the Steel Trust. Then began the concentration of production and specialisation in the efficient works. Germany is successfully adopting this method and fashioning a formidable industrial machine which, in the future, will startle the world with its onslaught upon world markets.

"The process of re-organisation has required very considerable capital, which has been largely brought in from abroad by long term loans. And the worst has now definitely passed and the big firms have plenty of capital; so much so that there is a growing desire to be free from the financial fetters of America and prevent the suggestion put forward in some quarters that Germany would finally become a financial colony of the United States. The medium and small companies are still in need of liquid capital, although the President of the Reichsbank, Dr. Schacht, recently declared that the German banks are now strong enough to meet the capital needs of German industries. Be that as it may, there are industrialists who are of the opinion that the flow of foreign capital must continue, because the German banks would place too stringent rates upon borrowed capital.

"In the process of revalorisation, a great part of the capital of the concerns was lost, but the companies were able to constitute hidden reserves. There were no legal processes and arguments with debenture and shareholders. The whole process was carried out painlessly from the standpoint of the prestige of the

company. The unfortunate shareholder held another view. However, Germany is devoting all her energies and resources, which appear enormous when one travels across her rich agricultural land and sees just a part of her industrial plant, to the formation of new capital to replace the ravages of inflation. The German industrialists certainly took a plunge, and after much struggling are now safely out on the bank. There were great losses in the writing down of assets; but, after all, perhaps it is better to trade on 75 per cent. borrowed capital at a profit, than on 100 per cent. of their own capital at a loss. That is what Germany is doing."

RATIONALISATION IN THIS COUNTRY.

It is interesting to turn to our country to see in what directions any determined or systematic attempts have been made at rationalisation. Broadly speaking, it has been interpreted as meaning amalgamations for the avoidance of overlapping and probably the best examples are:—

1. The railway fusions under the Railway Act, 1921.
2. The amalgamations in the coal trade, especially the anthracite coal.
3. The amalgamations of the various steel interests.

Let us look at the case of the railway companies, which possesses some unusual and interesting features. In the first place they were all what is known as statutory companies and were discharging a definite public service. Although the Act of 1921 made it possible for the various amalgamated companies to dispense with a considerable amount of labour, it also laid very definite restrictions as to how far these curtailments should be carried, presumably because it was felt that it was possible to increase efficiency even too rapidly, and the railway companies, being in a sense public utility companies, were under an obligation not only to the general public but to those who were employed by them prior to the amalgamations.

The result has been that whilst there have been extensive amalgamations and a considerable number of people have benefited by the compensation they have received for loss of office, there has been a great decrease in the number of railway employees, there is far less scope for the intelligent employee to attain to any position where his merits are appreciated, and I think it will be agreed that there has been no material improvement in the railway service. How far one can attribute the decline in railway dividends to road competition, and how far it is attributable to the inability of the big organisation to adapt itself to modern conditions in a way which was more possible with the smaller competitive companies, is a matter on which there must of necessity be a variety of opinions.

Turning to the coal trade, and particularly the anthracite coal, it is common knowledge that the various anthracite collieries in the Swansea district were all being run as paying concerns, utilising local capital for the employment of local labour and putting a certain amount of money into circulation in a variety of districts. By the formation of the Amalgamated Anthracite Group, a number of these collieries have been closed down, the unemployment in the respective districts has been abnormally increased, the amount of money in circulation in the district has been reduced to that derived from the dole, and the only people who have reaped any benefit out of the transaction are the few bigger shareholders who were able to make such terms at the time of absorption that they received far more than the face, or any other legitimate value, for the surrender of their holdings.

With regard to the steel interests, it is interesting to see what Professor J. H. Jones says on the matter. He expressed the opinion that rationalisation in steel produc-

tion can be regarded as a defensive measure against our progressive rivals and tending to reduce the volume of unemployment in our steel industry. The demand for British steel is elastic, he says, viz, it may be largely reduced by reduction in Continental costs so that the alternatives are x unemployment under an improved system or x plus y under the old system. But the total demand for steel from all quarters may be highly inelastic so that the net effect of rationalisation in all countries is to reduce the total number of people employed in the industry, thus liberating workers for employment in new industries. This is all very well in theory, but at a time when there are no new industries being started owing to the capital position which I have already dealt with earlier in my paper, it seems to me a contradiction in terms to say that rationalisation will tend to reduce the volume of unemployment in the steel industry and then in the same breath to admit the net effect of decreased number of employees in the industry in the world. This is particularly noticeable in the case of the Dowlais Works, where we get the closing down of a works and 2,500 men thrown out of employment with no possible new industry available to absorb them.

CONFUSION OF IDEA OF AMALGAMATIONS AND RATIONALISATION.

Of course, we have the danger of that confusion which so often occurs through treating all amalgamations as being rationalisation, whereas it should merely be considered as a prelude to the reconstruction of an industry to secure a greater efficiency, reduced costs and extension in competitive markets. Without the consequent reorganisation of production, administration and distribution, standardisation of the product and concentration of manufacture, mere amalgamation can never prove of any benefit to any industry.

It is interesting to note that according to a recent article in the *Iron Trade Review*, two-thirds of the United States facilities for making steel in the heavy steel industry are controlled by five producers and four-fifths by ten producers, and the trend in industry generally is on towards further concentration of production. The two leading makers of steel—the United States Steel Corporation and the Bethlehem Steel Company—account for 53 per cent. of the steel ingot capacity, and Ford and Chevrolet account for 55 per cent. of the total output of cars during the first half of 1929. Notwithstanding this concentration of capacity in the steel industry, prices have remained comparatively stable and the United States Steel Corporation's plant is operating at 98 per cent. of its full capacity.

Reports of all the leading companies in the steel industry in the United States for the six months ended June 30th, 1929, reveal large increases in profits. Similarly, in Italy, a new selling agency for the Italian steel industry has been constituted which represents all the producers except four unimportant steel works, and the movement towards amalgamation is developing in the Italian steel industry generally. Despite this, however, I find myself in complete agreement with Mr. Angus Watson, who, speaking at the Liberal Summer School, at Oxford, last month, stated that except in exceptional circumstances rationalisation could only effect real economies at the expense of entirely ignoring the human factor which is ultimately the greater source of national wealth. He went on to say that it was a fallacy to believe that beyond a certain point size necessarily secures efficiency, and he challenged Lord Melchett or any other of the high priests of rationalisation to name a single product not being a patent or covered by a monopoly or secured process, which was being produced

in more favourable conditions or at a lower price by a trust than by ordinary commercial enterprise.

It is interesting to note that in at least one of the "necessities" of life rationalisation has been a complete success. I refer to the inter-relationship between Bass and Worthington. In this case it is neither an amalgamation nor a fusion, but is a real rationalisation of interest. What has been done in the brewing industry is that an arrangement has been made which eliminated competition and secures co-ordination. Certain firms who had monopolies in various districts have combined to do the brewing in one district and the bottling in another, thus eliminating the transport between the two, and by the further acquisition of the necessary works to manufacture their own bottles and the printing of their own labels, &c., they have really succeeded in rationalising the industry. Unfortunately I cannot speak from personal knowledge as to whether the consumer has derived any benefit from this rationalisation.

IMPORTANCE OF CAREFUL STUDY OF INDUSTRIAL AND ECONOMIC PROBLEMS.

There is no doubt that industrial and economic problems will be the paramount consideration for the next decade and in every country world thinkers are turning their minds to solutions of these difficulties. Political democracy has achieved its final victory with the grant of universal franchise and economic and industrial democracy is now in the throes of development. It is not too much to say that the salvation of this country depends upon the way in which enlightened employers and employees will adjust themselves to the changes.

The great problem of industrial unrest has been approached in two entirely different directions—(1) along the lines which will give the worker a lessened control over the processes of industry, and (2) along the line of increasing his share in determining the conditions of labour.

Some of the biggest employers of labour look for salvation by way of co-partnership and profit sharing, but curiously enough the worker does not always look upon the idea with favour. The out-and-out Socialist, realising that it may consolidate the position of an industrial order which he is trying to root out entirely, is naturally opposed to it. There is, however, a distinct tendency in this country and abroad to bring industry within the limits of certain definite laws, and this is plainly seen by the various committees set up to deal with the Railways Award and the Coal Commission, whilst the colonies have advanced even further in this direction. In New Zealand we have the Companies Empowering Act, authorising companies to issue labour shares to persons in their service, the idea being to encourage those employers who wish to evolve some workable plan whereby the employees may become interested in the results of their efforts. The labour shares in question are of no nominal value and form no part of the capital of the company, and they are not transferable except in accordance with the provisions of the company. They follow very much the lines of the ordinary bonus shares provided for in the Articles of Association of so many of our own companies, and there is no need for me to dilate upon them at this juncture.

LEGISLATIVE CONTROL OF INDUSTRY.

In the United States rapid strides are being made in this development of the relationship between industry and law, and the Kansas Court of Industrial Relations is sometimes considered as being the most up-to-date Industrial Court in the world. It is based upon the principle of adjudication and not arbitration, and outlines the legal principles upon which industrial disputes may be adjudicated, and has enacted a law which creates the kind of tribunal and establishes a comprehensive code of

procedure by which the adjudication may be obtained.

The United States has also taken a big step in the matter of industrial arbitration. A Bill has been introduced before Congress that in place of the old Railway Labour Board, all disputes shall first be considered in conference between the interested parties. Adjustment Boards should be set up by the parties to decide grievances and disputes over the application of existing agreements on wages, hours and conditions, but not to consider changes in the agreement. There is a Board of Mediation, which has power to intervene at the request of either party or on its own motion, but this Board has no arbitral powers, but merely strives to bring about adjustment, and, failing this, to induce the parties to submit the matter to arbitration. The Board is not to be invoked until every effort has been made to reach a satisfactory agreement, and if the final adjustment is not obtainable, the Board has power to report to the President, who is authorised in his discretion to institute an investigation commission. A good point of this legislation is that no change can be made in the conditions out of which the dispute arose except by agreement until 30 days after the commission has reported. The obvious advantage of this is that it gives public opinion an opportunity of being brought to bear on both sides with a view of preventing a state of industrial war being declared.

SUCCESS OR FAILURE OF RATIONALISATION AS SO FAR APPLIED.

To sum up, has rationalisation in the form in which it has been adopted in this or any country proved the success that it was hoped it would be? Of course, it is too early to be dogmatic on the point, but I think we can safely say that it has not. Where, then, lies the weakness? Is it in the principle, or does it lie in the way in which our industrialists have attempted to adopt that portion of the recommendations which suited their own particular opinions and have ignored entirely the real spirit underlying the ideal?

In the first place rationalisation with national limitations is, in my opinion, impossible. The maintenance of tariff barriers, and the competitive spirit of one nation against another in the matter of imports and exports, is wholly opposed to the world-wide ideals of the framers of the resolution.

Secondly, the idea that the grouping of various small personal undertakings into more or less unwieldy trusts or combines, and the consequent elimination of that healthy competitive spirit on which the trade of this country has been built up, and the practical impossibility of the individual or smaller employer being recognised, cannot but have a bad effect on the trade of the country. It may help successful businesses to be more successful, but it can never put new life into moribund concerns.

Thirdly, the rationalisation movement has ignored one of the most important items in an ideal programme; it has centred too much upon reducing costs of established industries and too little upon the discovery of new forms of service.

If, however, we go back to the original recommendation, and if we focus our minds on the ideal that rationalisation should bring to the community greater stability and a higher standard of life, and that attention should be directed not only to the purely financial side of reduction of costs and grouping of interests, but to the ensuring of the best, healthiest and most dignified employment of labour, particularly on the line of occupational selection and such methods of remuneration which will result in the employee having a direct interest in the result of his efforts, then and then only do I feel that rationalisation can prove a benefit in the industrial crisis through which we are undoubtedly passing at the moment.

Influences Affecting the Value of Securities.

A LECTURE delivered before the Incorporated Accountants' Students' Society of London by

MR. HARTLEY WITHERS,
Formerly Editor of "*The Economist*."

The chair was occupied by Sir STEPHEN KILLICK, J.P. (President of the Society), and among those present were Mr. Henry Morgan (President of the Parent Society), Mr. E. Cassleton Elliott (Vice-President of the Parent Society), Mr. Thomas Keens (ex-President), and the following guests:—The Right Hon. Lord Morris, P.C., K.C.M.G., L.L.D., The Right Hon. Lord Askwith, K.C.B., C.B., K.C., The Hon. Mr. Justice Bennett, Mr. Arthur Michael Samuel, M.P., Sir Francis Voles, C.B.E., Sir James Cooper, K.B.E., F.S.A.A., Mr. R. M. Montgomery, K.C., Mr. J. Gibson Jarvis, Sir Basil Mayhew, K.B.E., F.C.A., Mr. C. J. Mill (City Editor, *The Times*), Mr. J. C. Rae Price (City Editor, *News Chronicle*), Mr. E. Mackenzie Hay (Director, *The Statist*), Mr. O. R. Hobson (Editor-in-Chief, *Financial News*), Mr. A. S. Wade (City Editor, *Evening Standard*), Mr. E. D. Kissan (City Editor, *Daily Mail*), Mr. R. J. Barrett (Financial Editor, *Sunday Times*), Mr. F. T. Sheldrake, Mr. Alexander Wright (Assistant City Editor, *Morning Post*), Mr. F. Williams (City Editor, *Daily Herald*), Mr. A. Crawford, K.C., Mr. Clement Gately, D.C.L., Mr. H. Heathcote Williams, M.A., Mr. G. Emmerson, F.C.A., Mr. J. J. Meager, Mr. A. E. Sylvester, F.C.A., Mr. Philip Vos, M.A., Mr. W. T. Aitken, Mr. C. J. Knight, Mr. H. M. Barton, F.C.A., Mr. J. Blunden, Mr. Walter Laudells, Mr. A. E. Watson, C.B.E., Mr. C. J. Brewster, F.C.A., Mr. F. E. Armstrong.

THE CHAIRMAN, in introducing the Lecturer, said: It is my privilege to introduce to you Mr. Hartley Withers. I remember reading some advice given by the late Spencer Leigh Hughes to speakers, in which he said, "Never be afraid of telling a story because it is old; there is always someone in the audience who has never heard it." (Laughter.) With the possibility, therefore, that there may be someone in this audience who knows very little concerning the world of finance, I venture to say a few words about the Lecturer. Mr. Hartley Withers, after leaving Oxford, became associated with the Stock Exchange, but he soon left it for the more attractive and, I hope, more remunerative sphere of financial journalism, where he quickly attained to the distinction of City Editor of *The Times*. He subsequently became connected with foreign banking, and afterwards had the additional distinction of being Editor of *The Economist* and of filling an important post in the Treasury. Since relinquishing that position he has devoted his great talents to educating us on economics and financial subjects. You will thus see that Mr. Hartley Withers is eminently qualified to instruct us upon the subject of his lecture, and I look forward to what I never fail to obtain from studying Mr. Hartley Withers' observations—education and intellectual recreation. (Applause.)

MR. HARTLEY WITHERS said: Taking another look at the summary of the Lecture that I am going to deliver to-night, I feel that there are a great many things that I have left out of it. It was suddenly demanded from me by your Secretary, and I was told that it was to be delivered a week before the lecture. I therefore had to do it in a great hurry, and I find I have left out a great deal, which is perhaps just as well, because if one really considers the influences that affect the value of securities, they are almost infinite, and if one gave a really full description of them it would take one a month rather

than three-quarters of an hour. In fact, it is almost difficult to find anything that can happen in the world that is not going to influence the value of some security or another. I remember a very early experience of mine as a financial journalist: it was in 1894, if I remember rightly, when I was very much a beginner in *The Times* City office. A very excitable gentleman came running up one morning from the Foreign Market, where he was a jobber, and said, "Would it be in time to get the fact into *The Times* second edition that Prince Boris of Serbia, or Bulgaria, or somewhere, had been baptised into the Russian Church, because it was making a great deal of difference to the Foreign Market?" I said it seemed to me that this was an interesting fact from the point of view of the youthful gentleman's future salvation, but I could not see what it had to do with the price of bonds in the foreign market, and he explained to me that the fact of his being baptised into the Russian Church meant that Russia was going to be the chief influence in the Balkans, and it had caused a boom or a slump—I forget which—in Servian or Bulgarian Bonds, or whatever it was. In fact, I think one may almost say that hardly anything can happen in the world that is of any importance at all without its affecting stock market values.

As to what we mean by "values," that, of course, is a subject which is always being discussed at enormous length by economists. They talk about value and utility and real value, intrinsic value and so forth, but it seems to me that the only thing to do in discussing these business questions is to keep one's attention to the strictly business point of view, and that from that point of view the value of a thing is simply what you can get for it, and other kinds of value which are not expressed in price are interesting from a philosophical point of view but do not affect us when we are talking business.

Well, then, what we are trying to consider is: What are the influences which make people give a certain price for securities, and I think it is right to say that if we try to get down to the bedrock of the matter, the basis of the price of all securities must be some kind of income or earning power which is behind the securities and to which the service of the securities is more or less pledged. Obviously, any security that one buys one buys with a view of getting an income from it, and, if possible, being able to get one's money back if one wants to realise the security, and it is always desirable to aim at trying to get a little more for it than one paid—a sort of ambition that is not very easily realised in these times, but income of some kind must be behind every security.

PUBLIC DEBTS.

In the case of Government and Public debts, it is obviously the revenue that can be collected by the borrowing Government or Municipality, and that revenue consists of the taxable or the rateable capacity of the area over which it has taxing power, and in the case of companies the income behind the securities is clearly the net profit that the company may be able to earn; and it is in making assessments of the probable trustworthiness and steadiness and growth of these incomes behind securities that the general public and their advisers—the stockbrokers and the journalists, and others who try to advise them as to how to invest their money—it is with regard to these incomes that the forecasts and judgments ultimately have to be made, and when that is stated we see at once how immensely difficult the problem is.

I do not know whether any of you have ever tried to study the accounts of the United Kingdom as periodically presented in the official statements and found how very difficult it is to make them agree and to understand what

they mean. And yet we are always supposed—and I think rightly—to be among the leading countries in the world in the fullness and frankness of the accounts which we officially present. We see every year when we have a Budget Debate in the House of Commons how great a difference there is between the Chancellor of the Exchequer and his opponents on the Front Opposition Bench concerning such a matter as the amount of debt that has actually been paid off during the former year. One would think that would be a sort of thing that would be arrived at fairly easily, but as a matter of fact there may be differences of many millions in the opinions expressed by these distinguished experts on the figures presented to them officially. And even if we have got these figures all correct of the actual income received by the Government and the actual amount of its expenses, we are very little further in trying to assess the amount of confidence that any investor ought to place in the security of any Government, because what an investor really wants is a security that he need bother about no more but can put away and go to sleep on and leave for ten or twenty years. I wonder how many of us could name any security at the present moment that he would like to treat in that manner, especially I think one may say with regard to Government securities and Municipal debts, because these things are qualified to an immense extent by political prospects. We have seen in the last few days a very heavy fall in the Bonds of the German Republic owing to the results of the general election. Many people tell us that the fall in those securities has been greatly exaggerated because as a matter of fact the sensational victory gained by Herr Hitler and his followers means very little with regard to the real state of feeling in Germany. That may be perfectly true, but who can tell? It is almost entirely a question of making guesses about national psychology. With regard to our own Government, many people tell us, and with perfect truth, that one Government or another, whether it is Tory, Liberal or Labour, vies with its predecessors in extravagance, and that they all pay lip service to economy and forget all about it when it comes to giving public money away, and that if this process continues long enough British credit will no longer stand at the eminence which it has so long enjoyed. That is perfectly true, but it is also perfectly possible, and I hope much more likely, that we shall see that there must be an end to this system of encouraging the population to think that the Government has got nothing but a bottomless purse to dip into and that we shall mend our ways in this matter. But who can tell? It is purely and psychologically a political question as to which the forecasts made by the most able experts after the most careful study of the figures are interesting expressions of opinion but no more.

Then, of course, there is always the possibility of actual revolution and war, as we see at the present moment in Brazil, with Brazilian Bonds tumbling like a cataract in these last few days because there is a great revolution all over the country.

THE CURRENCY RISK.

There is yet another item that you have always to remember in considering these and other securities, and that is what may happen to the currency. In the old days Municipal Bonds were a great favourite of mine as sound things for investors, because it seemed to me that they were just as good as Government Bonds; if you got the Bond of a great city like Hamburg, Berlin or Moscow, what could happen that would put those great cities into a condition of insolvency? All Government Bonds were much more liable to political risks, war, and so forth, but the Bonds of the great cities, it seemed to me,

were really in some ways a finer security, and some day, when I am dissected, the word "Moscow" will be found engraved on my heart because of the number of people to whom in old times I suggested Moscow Bonds as a fine investment. And so they were a very fine investment, only unfortunately, the Russian Government took measures with regard to the Russian currency which reduced its value to nothing; and the same thing happened to the even finer securities of Hamburg and Berlin, and other great German cities, not to mention Vienna in Austria, and you have got these securities altogether wiped out by currency depreciation.

Well, I think that is as much as can be said for the moment concerning Government and Municipal Bonds. We have seen that they are subject to influences, political, psychological, and monetary, which are quite incalculable, and all that the investor and his advisers can do is to try to choose those which are most likely to be in the hands of reasonably honest and prudent people. You come back to that ultimately always: who are the people who are going to be in charge of the income which is behind the security? Who are going to manage the politics of the country or spend the rates of the municipality, and what sort of people are the taxpayers and the ratepayers? What sort of sacrifices would they make, if it were necessary, in order to preserve the credit of their country or their town? That is a thing which is quite incalculable, and which is subject to immense variation.

THE SENTIMENT OF TAXPAYERS.

We all of us remember, when we were engaged in the war, how ready many of us were to pay taxes, and, in fact, how public opinion had to kick the Government along to impose more taxes. The Governments of all countries were anxious to pay for the war as far as possible out of borrowing and inflation, and to let the taxpayers down lightly, so that people should not feel too disgruntled about the war.

With regard to this country, the Government very seriously misunderstood the temper of the people at that time, and, as I have already said, it was public opinion that had to drive the Government along to pay more out of taxation and less by borrowing. But that is not the sort of temper that you can rely upon. If the taxpayers are willing to pay, the limits upon the revenue that a Government can raise are extraordinarily elastic, but if the taxpayers are unwilling and are not in accord with the policy of the Government, it becomes extremely difficult to wring taxation out of the people after a point. There was a time in the Roman Empire when taxation upon certain classes was so heavy—I think it was the Senatorial rank, but I will not be quite sure—that those people had to be forcibly kept from running away from their estates and becoming slaves in order to escape taxation. We have not got to that point yet, but it is a sort of thing that Chancellors of the Exchequer have to consider as possible, that tax evasion and continuous discontent may form a very serious obstacle to the collection of revenue if public opinion is not in accord with the purposes for which the revenue is gathered.

COMPANY ACCOUNTS.

When we come to company accounts, I feel that I really have no right to speak on this subject to you, because you all know so much more about it than I do, but I am sure you will agree with me that to put the ordinary balance sheet and profit and loss account into the hands of any uninstructed investor and tell him to draw any sound inference from them concerning earning capacity and the probable future of the concern is a mere mockery. He simply does not know what it means, and I am not at all sure that even the most highly trained expert can tell

one very much more from a study of these documents unless he is able to speak to somebody who knows all about the business and can tell him what is behind the figures. In a balance sheet you see the liabilities set out—capital and reserve, debts, and so forth—and you know that these figures do mean something. The capital probably means money subscribed, though, of course, it may include a very considerable number of shares that have been issued for other consideration; but, at any rate, on the liabilities side you do know that certain sums have been received in meal or in malt, and certain sums are owed by the company, and those sums owed are a definite fact about which there is no doubt. On the assets side the only fact about which there is no doubt is the amount of cash at the bank and in hand. That you can take as a certainty. As to the other items—the factory, plant, buildings, general equipment and so forth—you get certain sums put against them which may mean anything or may mean nothing. They are sums which have been arrived at in ways with which you are much more familiar than I am, but as to whether they mean that these are the kind of sums which the assets against which they are put would realise as a going concern or in a forced sale, it is very difficult for an outsider to discover from what has been said by eminent accountants in their writings. As far as I can make out, the orthodox view is that these sums put against the assets have no connection whatever with their realisable value, and that must clearly be the commonsense point of view, because if you were going to express the realisable value of the assets you would have to have them valued every year, and everybody knows that a valuation is a thing that is extremely likely to be incorrect even when made by the most eminent experts, and that the only test of the real value of a thing, as I said when I began, is when you come to sell it. It is interesting to know that certain sums have been invested by a company in certain kinds of assets, and that certain sums have been written off them which, in the directors' opinion, are no doubt adequate. It is interesting to know these things, but they do not tell you anything as to the earning power of the company, which is the fund out of which the dividends that the shareholders hope to get have got to come. You may get a sort of glimpse of that out of the profit and loss account, but you have to be very clever indeed if you can get anywhere near an accurate view. The profit and loss account usually consists just of the statement of the gross profit received and of the expenses all lumped together in one item. It is really a net revenue account and a distribution account. It shows you what the directors are going to do with the sum so arrived at in the way of distribution as dividend and allocation to reserves. It shows, in fact, what the directors think is a fair sum to put down as having been earned by the company during the period, and that is quite an interesting fact, and if you know anything about the board and their record you may be able to make inferences as to whether the amount of the net revenue is over-stated or under-stated. You may be pretty sure, as a general rule, because the average of boards of companies, especially under the kind tutelage of members of your profession, try to do the right thing, and everybody knows that the right thing to do with the allocation of the revenue of a company is to be generous in your treatment of wasting assets, to write them down as rapidly as possible, and that process, as I need hardly tell you, means to say that the revenue of the company is habitually under-stated. One may therefore take it as a general rule that with honest and well-conducted companies the net revenue of a company is under-stated. How much it is under-stated one does not know. The

directors do not know themselves, because all that they do know is that they have certain assets with certain figures put against them, and that those figures ought in the interests of prudence to be written down. As to how much they ought to be written down they cannot possibly tell unless they have those assets valued and re-valued every year. The whole thing is to a certain extent a matter of well-meaning guess-work, which on the whole they carry out very well, and the company world gets on all right in ordinary times. It is not getting on very well just at present. The fact, however, remains that the figures that you get in the profit and loss account tell you almost as little as the figures that you get in the balance sheet, and they tell you nothing at all, of course, about the prospects. They cannot—they are not meant to; but that is an extremely important thing with regard to the future of companies and of all kinds of securities, and it is in making guesses about the future that the public generally comes to conclusions as to the prices that it is prepared to pay for securities.

THE PERSONAL QUESTION.

Another extremely important thing—perhaps the most important thing there is about a company—on which the published figures throw no light whatever, is the kind of people who are managing it and the kind of people whose influence will be brought to bear on the right side with regard to the use of revenue in writing down the wasting assets and otherwise making provision for depreciation.

I lately read a very interesting little pamphlet about balance sheets by a distinguished member of your profession, Sir Mark Webster Jenkinson, and at the end of it he broke out into a little poem, which I cannot remember, about the various assets, liabilities and so forth, but the last two lines of it were something like this:

But it doesn't show one item, and its worth I want to know,

And that item is the value of the men who run the show.

(Laughter.) I think you will agree with me that that is an extremely profound truth. It is not only true about companies; it is true also about Governments and municipalities. The men who "run the show" make all the difference, and that is why the item of goodwill, which is so generally supposed to be a thing which ought to be written off altogether, is in some ways the most valuable asset that a company can possibly have, because the goodwill of a company does to a certain extent represent the confidence of the public in its products and the confidence of the public in the future of its prosperity. It is generally said nowadays that to sell an article costs rather more than the amount that it costs to produce it. The selling connection which is expressed by the goodwill is one of the most valuable things that a company can have, and yet, according to orthodox doctrine, this goodwill item, which is really so immensely important to the prospects of a company, is a thing which ought to be written off altogether, and which is written off altogether in the accounts of the high-class financial institutions such as banks and insurance companies.

It therefore seems that, on the whole, the published documents that are furnished to the public are an extremely—I do not say misleading guide, because, of course, they do not mislead, for they do not tell you anything, but they are a guide which is practically worthless to the investing public which attempts occasionally to unravel them. Most people, of course, do not even make the attempt. What the public actually goes by in its estimates of the probable future of the security is, of course, its past record. It knows, for instance, that

certain Governments have always met their obligations, and it makes anticipations that they will probably continue to do so as long as the character of the nation does not materially alter. With regard to companies, it is a rather more difficult problem. There they have a record of the success of the company in the past, but as a company is not in the strong position of a Government, which can collect taxation from the whole community with all its varied interests, a company has to rely in most cases on the prosperity and expansion of one particular trade. It is therefore necessary in the case of companies to try to arrive at some anticipation of how the trade which the company works in is likely to fare in the future.

I can remember the time when old-fashioned investors used to say, "We like home railway stocks. A railway cannot run away." They used to go and look at the stations and rolling stock, and felt that they owned something real and something solid. So they did, but what they did not consider was whether the earning power of those great organisations might not suffer some day, and we see now how they are suffering from road transport, and what a very great difference it has made to the prospects of these great companies and the position of their shareholders.

THE MOODS OF THE PUBLIC.

Then, of course, there are all kinds of psychological considerations which come in with regard to the value of securities, and that is from the moods of the public. So far I have only considered the influences which actually affect the real earning power of the companies and the real income of the Governments that borrow; but you get into an enormously wider field when you begin to consider what the public is going to think about it. It makes an immense difference to the range of values whether the public is in an optimistic or a pessimistic mood. If you get a whole country going mad with a sort of speculative hysteria, as you saw in America two years ago, there is almost no limit to the price to which they would push the securities representing the business prosperity of their own country. Their view at the time was that you could never be wrong in being a "bull" of the United States, and they went "bulls" of the United States for all they were worth, and very much more, unfortunately, because the arrangements over there by which people can speculate on margin and pyramid their commitments on more and more margin seem to be designed to get the largest possible number of unfortunate ignorant people gambling away at being "bulls" of the United States; and it is all very well to look back upon that now and say how foolish it was. It ought to have given all of us wise people with detached minds over here a very great opportunity for selling a "bear," but I do not think very many people took the opportunity, and as a matter of fact there was no time at which you could say with certainty "This thing cannot go on." It was merely a question of getting a fresh lot of people in who would buy at the prices at which the market then stood. People had been saying in other countries for some years—you must remember that this speculative campaign in America went on for six years altogether—that it could not last much longer and that the American public was mad. The American public could reply with very great truth, "We may be mad, but we are doing very well out of it," and they went on being mad, and it was very difficult to say that there was any point at which they must stop, because their point of view was this: first, they began by saying that the old-fashioned British idea that you should judge the value of an ordinary share by the dividend you got out of it is quite wrong; that what you have to take

into consideration is the whole of the net revenue available for distribution on the ordinary shares. There was a very great deal of sense in that contention. If a company is earning 10 per cent. on its common shares, but only pays 5 per cent. and puts 5 per cent. away to reserves, it is absurd to regard it merely as a 5 per cent. proposition. It is somewhere between a 5 per cent. and 10 per cent. proposition, and as to where you should actually assess it is purely a matter of taste and fancy, according to the whims of the public at the moment. But then the American public proceeded to go further and to say, "We have nothing to do with this question of present-day earnings. Look at the immense expansion which has taken place in the last four or five years. Look at the possible expansion going on at compound interest which is possible as the United States gets more and more prosperous every year; and as its business expands and it lends more freely to foreign countries and sells more goods to foreign countries, there is no limit on the possible expansion of the prosperity of the United States," and they backed that view, and who is to say they are so mad as they are sometimes described to be? There were immense possibilities if something had not happened to trip up the whole beautiful scheme.

Then you get, of course, the other aspect of the thing: you get times when the moods of the people are so miserable and depressed and the whole outlook is so black that there seems to be no bottom to the value of securities, and of course it is quite true that the only bottom to the value of securities is the time when somebody wants to buy them. I remember years ago, before the war, discussing possible war finance with a friend of mine who was interested in the subject and knew a good deal about what the cost of a war might be, and so forth, and I found he was arguing on the assumption that, whatever happened, Consols, which in those days were somewhere between 110 and 112, could never fall below par; but I suggested to him that there would be no bottom to Consols, because there was no date of redemption. All the Government had to do was to pay 2½ per cent. for all time if it liked, and consequently if the war went on long enough and British Government credit went on to a 5 per cent. basis instead of a 2½ per cent. the price of Consols would be 50 instead of par, and it was one of the rare occasions on which I happened to be right in talking about something which was going to happen in the future. (Laughter.)

A ROMAN EXAMPLE.

The state of mind of the public has thus an immensely important influence—the most immensely important influence, I think—on the price of securities. If the public is steadfast enough and stable enough and solid enough it can take almost any blow without making any difference to the price that it is prepared to pay. There is an extraordinary example of that in the history of Rome. It is described by Polybius in his history of the Carthaginian War. It was when Hannibal had invaded Italy, and he had simply rolled up and destroyed all the Consular armies that had been sent against him. He had made himself master of the whole of Italy and was encamped outside the walls of Rome, so near to Rome that, in accordance with the cheery habits of war in those days, when weapons of precision were not invented, his scouts could hurl abuses and jeers at the Romans on the wall. That was the state of things when the piece of ground on which Hannibal's tent was camped came up for auction in Rome, and it is actually recorded that that piece of ground was sold at a price which was quite in accordance with the price it would have fetched if Hannibal had never been heard of. I think that is

the most remarkable example in all history of a steady market. (Laughter.) Of course, in those days there were no securities to deal in. Land was the only thing with market fluctuations. You may remember that in Shakespeare's "Henry IV," when news comes of the Hotspur's Rebellion, Falstaff says: "You may buy land now as cheap as stinking mackerel." Land was the thing that showed the temper of public opinion, and the temper of public opinion in Rome was such that it knew perfectly well that Hannibal had the whole of Italy for the moment, but they were going to come through some day, and that piece of land was worth to the buyer just as much as it had been before the war began.

I always like to arrive at some practical suggestion when anybody asks me to come and inflict addresses upon them. I cannot expect that you will have agreed with everything I have said, but I hope you will have agreed with me in saying that it is extraordinarily difficult—not to say impossible—for any ordinary investor to be able to get as much information from the published balance sheets and profit and loss accounts of companies and the official figures of revenue and expenditure given by Governments for them to be able to form a really reasoned and sound opinion concerning securities in which they are habitually asked to invest. It seems to me that the task that is put up to them is too difficult, and, of course, we know they have the assistance of the very intelligent Press and of the very intelligent stockbrokers who advise them on these matters, and their advice is probably very good in most cases; but there are often careless stockbrokers, and sometimes one sees "tips" in some of the financial columns of the Press which must have caused a good deal of loss to unfortunate investors who followed them.

Well, then, is there anything to be done about this? I have a suggestion which is a sort of King Charles's head with me and which I always force down the throats of any audience that is unfortunate enough to sit and listen to me talking about investments. It is that what we want is some great investment trust to be organised by the very best people in the City to provide for the ignorant investor, so that at any rate people may know that, if they like, there is somewhere where they can go and put their money in with the certainty that it will be honestly invested for them with the very best advice that can be got in the City. Of course, I know there are many difficulties about it. There would not be much money in it as money is considered by the eminent people I am thinking of for this purpose, but I do think that some scheme of that kind, by which genuine investors could be kept from making the mistakes into which they are so often led nowadays when they are not quite sure whether they are investing or speculating, would be an institution of immense social and political value, and I leave you gentlemen to tear the suggestion to pieces, because I understand that several people have been asked to speak to-night, and I am sure you are tired of listening to me. (Loud applause.)

Discussion.

Mr. HENRY MORGAN (President of the Society of Incorporated Accountants and Auditors): The views of so able and well known an authority as Mr. Hartley Withers upon the value of securities must at any time be of very great interest to those engaged in financial and business circles, and they must be especially so in such critical and anxious times as we are now unfortunately passing through. Evidence of the great interest that is taken in the subject of his paper is provided by the large audience here to-night, including as it does not only many practising members of our profession, but prominent authorities on law,

finance and commerce, and leading representatives of that important class which wields such powerful influence upon the stock and share markets, the Financial Editors of our great newspapers. (Hear, hear.) I have followed with very great pleasure the paper given by Mr. Hartley Withers, and I have been much impressed with the views which he put forward. We greatly appreciate the service he has rendered and the compliment he has paid to our Society in coming here to-night. (Hear, hear.) In his paper he deals very ably with the value of securities and the importance of security, and in the summary of his Lecture which has been circulated to us I note that he makes a reference to the rate of saving and the views of the community as to the desirability of saving. Security and saving are closely related. Here, I think, he touches upon one of the chief causes of the serious condition in which this country finds itself to-day. There is little desire to save. Thrift and economy are qualities which seem almost to have disappeared, and in every direction we see evidence of most prodigal extravagance. Extravagance is not confined to the community, nor to any section of the community; it is most strikingly observable in our national and local expenditure and in connection with the administration and management of joint stock companies. Extravagance goes hand in hand with inefficiency, indifference and indolence, and, as a result, many of our great industries upon which our prosperity so greatly depends have to carry burdens which are rendering it impossible for them to compete successfully with other great manufacturing nations. It is certain that, unless prosperity can be restored to those great industries, which are dependent upon their foreign trade—(hear, hear)—the greater part of the great wealth that is sunk in them is irretrievably lost. These are the reasons why the investing public, with its experience of the last three or four years, refrain from risking their savings in these important industries, many of which are urgently needing further capital. It is not that there is any monetary stringency at the present time, because an examination of the conditions of the Stock Markets reveals the fact that gilt-edged securities are at a record high level, whilst the shares of many well known and old established businesses have dropped to figures which a few years ago would have been thought impossible, and in many cases they have dwindled almost to vanishing point. During recent months offers of stocks of a gilt-edged character or debentures really well secured have been greedily subscribed for, whilst offers of shares in many industrial companies have resulted in the underwriters being left with a large percentage of their obligations. People who have savings to invest to-day want security, and I think it is obvious that there is a lack of confidence—a general disbelief that security is to be found in British industry. Is such a lack of confidence justified? I leave it to each one of you to form his own opinion as to the answer to that question. But I do say this, that at any rate it is not surprising in view of the serious falling off in the national revenue, of the continuous growth of public expenditure, of the manner in which important fiscal and industrial questions are subordinated to political considerations, and in view also of the rapid and alarming increase in unemployment, and of the helplessness of shareholders to protect their interests, which has added so greatly to their appalling losses during the last two years. (Applause.)

Mr. ARTHUR MICHAEL SAMUEL, M.P.: First let me thank Mr. Hartley Withers for his very carefully thought out lecture, which, I am sure, will set many of your students thinking. I was interested to hear what he said about the value of a plot of land outside the walls of Rome, how it had not varied although the victorious Punic forces under Hannibal had occupied that plot. I remember well, when I first went to the House of Commons, taking part in the discussion around the pegging of the Anglo-American exchange. We found it paid us to ask our bankers over on the other side to keep up the exchange at about \$4.70 and so maintain confidence in British credit. I am not very clear for the moment how the story in Polybius ended, but I will suggest to Mr. Hartley Withers that the

Roman Senate sent a man to the Bank of Rhodes to ask them to keep up the price of Roman land, just as we did about the American exchange. It was necessary to keep up the courage of the Roman people, so the Roman Government kept up the price of that land by bidding for it, perhaps through a friendly third party. (Laughter.) I was very much interested in what Mr. Withers said about the National Accounts, because I had something to do with them for a couple of years, and in the re-casting of them so that the self-balancing revenue appears separately and below the line in the Statement put before the public. I do not think the Accounts in the form issued by the Treasury, perfectly sound and wholesome as it is, are a lucid barometer as to the credit of the country. They are a cash account, and I need not tell you, who are experts in accountancy, that a national cash account does not give a very good idea of what the credit of a country should be, from such figures alone, because in them there is no dividing line between revenue, expenditure and capital expenditure. But as Mr. Hartley Withers has quoted Polybius, let me quote Thucydides and remind you that when the historian put a speech into the mouth of Pericles—the famous funeral oration of Pericles—when the Greeks were burying the honoured dead who fell in the Peloponnesian war about 430 B.C., Pericles said pretty well what Mr. Hartley Withers has said about a nation's securities. Pericles said "The strength of Athens does not rest on its walls and towers; it rests on the character of its citizens." The credit of Britain rests on your character—the character of Britain and British people—honest people determined to keep faith unto death. That is the thing upon which the value of our securities is based. Keep your eye on that and do not bother about printed figures in our revenue accounts as the test of credit. Mr. Withers spoke very truly—and Mr. Morgan touched on it—about the excessive expenditure now going on. Well, when you are raising annually three hundred millions—I am not sure it is not over three hundred—by income tax and sur tax, you can put down some of the responsibility for that, and all the mischief it is doing, to the Colwyn Committee. I gave evidence before the Colwyn Committee, and so did my friend and your friend, Sir James Martin. We fought tooth and nail to insist that the excessive income tax charges, the excessive death duties and the excessive sur tax (or super tax, as it was then) must eventually do much mischief, although the text book theory of economics would not show it, yet, in the psychology of action, these heavy taxes would, we said, add in practice to the cost of production of our goods. Mr. Morgan said just now, and rightly, that one-third of our population lives by its export trade. Goods have to be sold after they are made or they will not be made. We are not getting our share of the world's trade, although it is bigger than ever it was before. Why? Our goods are too dear. That is the thing in a nutshell. And why are they too dear? Partly because the Colwyn Committee has said that the costs of production are not affected by high income tax and sur tax. I never did believe it, and I don't believe it now, and until you have nailed that fallacy to the counter as spurious you will have the Socialist Party at every street corner again and always saying: "Vote for us. We will give you fresh social benefits"—(political bribery)—"which shall be paid for by income tax and sur tax, and high taxation does not matter, because the Colwyn Committee said it would not affect the cost of production, so it will not hurt employment." But it does hurt employment, we cannot sell in the export markets. You may see a state of things here paralleled by what has occurred in Australia. Australia has tried to maintain a standard of living beyond her economic strength, and has done so by making good her expenditure and budget deficits by external borrowing. She has made her goods so dear that she cannot sell them, and, as she cannot import owing to not being able to sell, she has injured other people outside Australia. Now that the borrowing sources have dried up you see the position she is in. She cannot sell—she cannot even buy! We do not borrow externally, but we raise money by

very high internal taxation to meet our excessively high expenditure, and until the sources of taxation dry up, or until our people send our money abroad for shelter, that expenditure will go on. But when it stops, owing to the taxable sources drying up, you may find—and I hope to God it will not happen—a state of affairs here parallel with that now existing in Australia. We are spending beyond our economic strength. Your remedy is this. It is no good my preaching and only telling you of your ills; it is my duty to tell you what I think is the remedy. I tell you as an old Financial Secretary to the Treasury, that the first thing to do is to preach to the public that the Colwyn Committee, with the best intentions, were wrong. We must show that the contention, that high expenditure is justified because it has the sanction of the Colwyn Committee's report—when the Committee said that high taxation by income tax and super tax does not hurt production—is wrong. When you have rubbed that home to the people you will see things put on the right lines desired by Mr. Hartley Withers, Mr. Morgan, and everyone else in this room. Now, that is all I need say about National expenditure and what the credit of a nation is based upon. It is based upon, not Governmental accounts, but ultimately on the character of a people determined to maintain faith and moral law. While Mr. Hartley Withers talked about investments and companies in the second part of his observations I listened very carefully. I take it—I am perfectly certain—he meant to speak on behalf of the legitimate long period investor, not the punter, the speculator, to whom a fourteen days' account is an eternity—(laughter)—but the man who has worked and saved a little money and does not ask for 8 or 10 per cent., but is quite content with 5 or 6 per cent. for himself and then his wife and children when he is gone. He is the man we are trying to protect and whose money we ask should be put into investments to help forward the extension of employment by commercial enterprise. I will take that as the type of man we have in mind to protect and who must ask about the value of a security offered to him. What does Mr. Hartley Withers mean when he talks about "value"? What actual value does he mean? Market value expressed in terms of market price? Because if he means market price such value frequently is not worth a rush as a guide to an investor. If he means intrinsic, inherent, value, of course, that is a different thing. Mr. Morgan made a speech the other day, and I made one a year ago pointing out the same fact. I should say that Mr. Morgan put the matter originally into my mind a year ago; it was he who first gave me the idea; I happened to get it off first in a speech, but it is due to him to say that he was the originator of the idea. I was sitting next to him as his guest at a dinner he gave, when he pointed out to me that 52 or 58 companies had been floated on the public in 1928 with a capital of fifteen or sixteen millions. He feared many would disappoint investors. The market price of those securities was fifteen or sixteen millions—otherwise they would not have been sold for the fifteen or sixteen millions received by the vendors or promoters for them. That was the market value expressed in market price. To-day they are worth, as the market now says, five millions. Their market value expressed by market price when they were issued was not worth a rush as a guide to the man who put money into them. It is clear that it was no guide to the intrinsic value, which is what Mr. Hartley Withers says is the basis of security which might be expected to give a man a reasonable income. Take a case in point: I do not want to be libellous, but we have to speak here with our stays off. (Laughter.) A company well known to you published by a person connected with it a statement as to the dividend being continued at a satisfactory rate. The Stock Exchange market value of the shares, expressed in money, was thereupon between £1 and £2. Afterwards it was found that the whole thing was not as expected. The Chairman resigned. The shares fell to a small sum. The market quotation of £1 or £1 10s. for the shares when the dividend was mentioned was not a true test of value; it was merely market price based in some degree on misinformation.

Therefore you cannot take the market quotation of a share as being an indication of its value. Price is not value, especially on Stock Exchanges. Mr. Morgan made a statement which I wish to repeat to you—a statement with which I may say I thoroughly agree. I am grateful to him for having made it. I think he said at Sheffield a week or two ago that limited liability practice is disfigured by certain things which ought not to take place. It is shocking to note the money we have seen lost in flotations under limited liability. If I go to a tailor or a grocer and ask for a suit or a pound of tea I get it at a fair price with a fair and just description of it. The suit is made of what the tailor tells me it is, and the weight of the tea is fair and honest, with a proper and fair profit added for the tea or the suit. What do we see in limited liability? We are asked in limited liability to pay the price of the securities which are being sold, just like a pound of tea, because the company promoter, issuer, finance house or the vendor sells his goods—the properties represented by stocks and shares—just as the grocer and tailor sell their properties. The first test the share issuer uses of the value of the concern to the public is: Will it go? Is the public feeding? Can we unload? (Laughter.) He does not test his power to sell by the question, "Are the shares honest value and truly described as earners of dividend?" What a dreadful state of affairs—that it should be possible under limited liability for merely "Will it go" to be the company promoter's habitual test of the merit of a concern for sale. The issuer or vendor puts a label on an inferior article saying it is a superior article. He does not always give you honest weight. He asks you what is an unfair price very often, because a dividend cannot be earned upon it, he gives you an article misrepresented by its label, and he makes reckless promises. If it was a coat that was sold in these circumstances the man who sold the coat would find himself, if not in a civil, probably in a criminal court for false trade description or misrepresentation. Yet we see this thing going on time after time, year after year under the cloak of company promoting by limited liability, money being lost till we get to the point where Mr. Hartley Withers comes along now and says you must have a bevy of wet nurses to tell people what things they can buy; a test by means of an investment trust for honest investor's protection. It should not be so. The Stock Exchange, I am glad to see—I am grateful for it—has taken a very public spirited line. Recently it sent us at the Association of Chambers of Commerce a new list of regulations, which I think very excellent regulations. They go, perhaps, not all the way, but a good way—as far as the Stock Exchange can go—towards protecting the public. After all, the Committee of the Stock Exchange cannot vet every company that comes out. All it can do is to make it difficult for schemers to unload on the public by misrepresentation and manipulation. Now, the 1929 Companies Law Amendment Act, with the genesis of which I had something to do, has shown itself not to be strong enough. I have certain proposals to make to you now, as you are representatives of the great profession of accountancy, and I hope you will think them over. In the wish not to injure the honest man and honest companies, Mr. Wilfred Greene's Committee, I think, in reporting to Parliament, erred on the side of leniency and has left the mesh too wide, so that unscrupulous people can get through. I hope to see steps taken whether we be in Office or out of Office, to get a tightening up of the Companies Law Amendment Act, 1929, and the removal of certain flaws in it. I think we ought to render it less necessary to have a staff of wet nurses to tell people, via an investment trust system, what stocks they might buy and what they should not. I think that if the four or five proposals—I have more, but they are too intricate, perhaps, to deal with here—which I have in mind, were put into the 1929 Act, we might do something to render it less necessary for people to be doubtful about the true value of securities offered. I say that every person, firm or concern—except the printer—whose name appears on a prospectus asking the public for money subscriptions should be held responsible for the statements contained

in that prospectus. The old lady down in the country, or the clergyman or the retired officer who knows nothing about money, sees a banker's name on a prospectus, sees who the auditor is, and the name of a stockbroker, besides the directors, and says: "This must be a sound thing; I will put some money into it." I think we must make those who take part in the flotation of securities—and they get paid for doing so—realise that they cannot avoid the responsibility which goes with the acceptance of a fee or ultimate benefit from the flotation. I have just told Sir Stephen Killik—I won't mention any names—that I once sat next to a man at dinner, three or four years ago, who said "I am a director controlling 50 companies." How, in Heaven's name, can a man act as a director of 50 companies? How can a man look after even ten and do justice to himself and the companies? I should put a limit on the number of directorships held by one man. No man can properly attend to ten companies. That would get us away from a phase of company mongering we have all suffered from. I do not mind the dishonest director so much; we can put him into gaol. What I dislike is the well-meaning, honest, guinea-pig out to make a few hundreds a year. He does more harm than the dishonest man. His name attracts investors. It is almost impossible to punish him for the mischief caused by his uselessness. The honest guinea-pig has probably caused more money to be lost by the public than have dishonest scamps. If a guinea-pig director takes more than half-a-dozen companies a check should be put upon his power for mischief. Then there should be a limit to the total amount spent on the flotation expenses of a company. If you wish to bring out a company with a capital of a million and unload it on the public you may spend half a million in doing so, although the property may not be worth £10,000, and get half a million for it. There is one other thing I should suggest. Directors of a new company appointed within twelve months of flotation, whereat money is asked from the public, should be held liable for three years from date of appointment under the responsibilities set out in the 1929 Act, whether they resign or not. The ill-health excuse should no longer be valid. There are men who will take a directorship for a fee, on a company, and at the end of twelve months, when or before anything goes wrong, will retire "owing to ill-health." That is all I have to say, Sir Stephen. I have more than exceeded my time. I feel this, that the abuses of public confidence under the cloak of limited liability are a blot on British commercial morality, and that we must find the means of protecting the public. If we cannot find it by means of amendments of the 1929 Companies Act I think we ought to find the way to stop the holes with the help of the criminal law. (Applause.)

Sir JAMES COOPER, K.B.E., F.S.A.A.: The previous speaker took exactly twenty minutes, and has therefore given me the opportunity—much to my great pleasure—of speaking only for a very short time; but before I get on to Mr. Hartley Withers' lecture, I should like to say that I listened with astonishment to the views put forward by a responsible member of the late Government, and all I can say is that we will invite him here one year hence when he is Chancellor of the Exchequer and talks about taxes and sur tax and say "What about it?" (Laughter.) I for one, at any rate, will not forget the views of Mr. Samuel to-day. I have never heard them so clearly before. With every word he has said as to economy I am in agreement. I should now like to thank your Council for giving me the opportunity of hearing our distinguished Lecturer to-night. I have enjoyed every word of his lecture. There were one or two points on the question of the value of securities—in which every one of us is interested—which struck me, and possibly it was for want of time that Mr. Hartley Withers did not go further or more deeply into them. One was the question, on which he has written so ably in the past, of international finance and the effect of the repercussions we get from such things as the Wall Street crash, apart from such home affairs as the scandal of the Hatry failures, on the value of securities at home. The only comment I would make—I will not

dare to use the word "criticism"—on the whole lecture to-night is with regard to the paragraph in the summary which refers to the powers of directors to state what they thought the company had earned. I do not think, with respect, that our esteemed Lecturer has sufficiently emphasised—I am no longer practising as an accountant—the powers auditors have in pulling up directors if they have got courage to say what they think of the directors' valuation. I speak now as a director, although not as one of the professional guinea-pigs that my friend talks about. I am greatly struck with some of the suggestions put forward by Mr. Samuel inasmuch as I, for one, as a director—and I believe 90 per cent. of the men I am associated with—would certainly take responsibility for the statements we make. You have a perfect right to make such a suggestion, and any man who challenged it would be entirely in the wrong. If it was thoroughly understood that a man was responsible it would certainly carry out the idea of looking after "the interests of the parson down in the country" and "the person who has saved up some money" and put it into a company. There is only one thing on the general question that I confess to being a little bit disheartened about. Mr. Morgan spoke of the value of thrift. I went into business when I was thirteen. I have been thrifty all my life, but influences over which I had no control knocked away the results of my thrift at different times of my life. I heard a man say the other day: "It is all very well to talk about thrift," when I was trying to preach a bit to him. He said "I have saved up all the money I could for the last five years, and it has gone. If I save any more it will simply go in taxation." I think we want to get rid of that idea, Sir. I am with Mr. Morgan every time on that. I have been preaching what he has been preaching all my life, and I have tried to act on it all my life. I have myself seen practically every penny which I had saved by thrift years ago melt away during the war owing to circumstances over which I had no control, and had to start all over again. I have seen something like it again during the last year, and am now worth less than I was four years ago. Therefore I am not benefiting as I should from my thrift. What we want is to feel that there is going to be more saving in the Government, more regard for economy in Government finance, and that they should not plunge headlong into spending, whether Conservative or Socialist. We want someone to lead the way to-day in saving, whether in Government or home life. I should like to thank Mr. Hartley Withers for the treat he has given us to-night, and to thank you, Mr. Chairman, and the Council, very much for giving me the opportunity of hearing him. (Applause.)

MR. ARTHUR S. WADE (City Editor, *Evening Standard*): At this late hour I do not think I ought to say very much beyond expressing the very great pleasure it was to listen to Mr. Hartley Withers in competition with the L.C.C. trams at the back there and to find it so very well worth while. I was so glad myself that Mr. Hartley Withers stressed the point of the mentality of markets, and he did it from both sides, by showing us what effect the mentality of the people in the City—the markets themselves—had upon value—and also how the investor himself should approach the question of seeking to know what is the value of an investment. Now, I do not agree with Mr. Hartley Withers, I am sorry to say, in bringing down "value" as being almost synonymous with "price." A share which I have been looking into has just had declared a 10 per cent. dividend. The profits of the company are, unmistakably, much better than they have been for a long time. The reserves are receiving more. The price of the share, however, has gone down from £6 to £5½ for the £5 paid share. I do not think, in a case like that, that the value has gone down at all, but I do think that what has happened is that some change in the psychology of the market has taken place, and that that psychology has affected for the time being the value of the shares. I wondered, when Mr. Hartley Withers was speaking about the great Investment Trust, what would have been the position of such a Trust to-day if it had been formed, say, three years ago and if it had spread its

investments all over the world. I am afraid the position would have been rather bad and that the shaking of public confidence would have been something terrific. Yet nobody would have been to blame. Recently you have had the example of a company telling its shareholders that the price of its shares was not in any way an indication of their intrinsic value. That, I think, is wrong; but I do think that we who have to do something in the way of educating the public have, at any rate, to try to show the public that the price of a share is a rough measure, and that its value depends largely upon the intelligence of the people where it is marketed and the intelligence of the people who consider it as an investment. I hope I am making myself perfectly clear. In general, I think that to-night we have had a most interesting survey of this question. I myself would have been glad if Mr. Hartley Withers could have given us some sort of idea of when we may look for a change. That was not within his province. (Laughter.) When he speaks about the National Accounts, one can agree that they are very difficult to read, but their general drift is fairly obvious even to those who cannot readily understand them, and the amazing thing at the present time is, as Mr. Morgan so aptly said, that gilt-edged securities stand at record values at a time when the National Accounts are showing the results they are. I should very much like to add my testimony to the enjoyment we have had this evening in listening to Mr. Hartley Withers. (Applause.)

MR. R. M. MONTGOMERY, K.C.: I perhaps view these matters a little bit from the point of view of contract as a lawyer, and I am very glad indeed to know and to have realised that Mr. Hartley Withers this evening has not pretended there is any magic about the question of the value or the price of securities. The whole matter is one that anybody can quite well be taught to understand. But I think, perhaps, one may realise one part of the matter a little more easily if one regards it in the words in which I always think of it. The value of a security depends, I venture to think, upon the will to pay, the determination that those have who have to make the payments to honour the security, and really that very often is the all-important matter. Take the example Mr. Hartley Withers gave us of the securities in Brazil which to-day are tumbling down. What does that depend on? Not, surely, upon any probability of the different way in which the finances of the country are likely to be managed, according to whether the revolutionists or the existing Government obtain power, but as to the possibility of a repudiation or a decision to pay under some monetary change that does not really mean a payment of the income or of the capital involved. It is a matter of the will to pay, and when Mr. Hartley Withers gives that example—that well known example—of the price paid for land under Hannibal's tent, I venture to think it did not at all entirely depend on the fact that the Romans thought they were going to beat Hannibal. No doubt that is one element in it. But there is another and very important element, and that is, What will be done in case of a change of Government? I have very little doubt that the man who bought the land under Hannibal's tent said to himself: "If Hannibal succeeds, there will still be a Government in Rome; the land will be there, and in all probability the new Government will allow the man who at present has the legal title still to hold it." Now, that is a very important matter indeed, and it depends upon that question of the will to pay and the willingness to recognise a contract that has been made. There are two other points I would like just to mention, and I will not take a minute on either. Mr. Hartley Withers has approached this question purely from what one may call a director's point of view, as opposed to the point of view of the financier. Now, one has to remember that very often it is the financier, as opposed to the director, who really influences the price of securities—(hear, hear)—because he is interested in the price at which he can buy and sell the securities, and does not really care a brass farthing what the permanent income over a period of years is likely to be. That has to be kept in mind very carefully when one is dealing with securities.

The other point is one which is always a little bit of a puzzle to me, and I do not feel confident that I know exactly what the answer to it is. It is that question of what I may call the general rate of interest, or the world rate of interest it may even be. When all securities are falling it is no use treating each security as though it were going down from, say, 100, when it is $2\frac{1}{2}$ per cent. interest, taking Consols as an example, to, say, 50, because the credit of the British Government has gone down from a $2\frac{1}{2}$ per cent. to a 5 per cent. basis. I doubt if that is by any means the real answer to the question. I am not going to suggest the answer. Whether Mr. Hartley Withers will think fit to or not I do not know. But there is the fact that when the general level of interest goes up, the price of securities goes down, and what factors exactly determine the general rate of interest I think is a rather obscure question.

MR. O. R. HOBSON (Editor-in-Chief, *Financial News*): There was only one section of Mr. Hartley Withers's address that interested me, and the reason there was only one was that, as the late Lord Birkenhead once said, owing to other circumstances over which I had imperfect control, I arrived very late. However, the end part of Mr. Hartley Withers's address, which I did listen to, interested me very much. It was that part in which he dealt with market psychology—the effect of what is called psychology on prices. You have, as he pointed out, two different psychologies—the boom psychology, which we became familiar with a year or two ago, and the slump psychology—and without the boom psychology you cannot have a boom, and without the slump psychology you cannot have a slump—not a proper slump. The boom psychology is this: it consists in a large number of people persuading themselves that what they are living in is no boom at all, but a new state of affairs, a higher plane of existence which has come to stay; and the slump psychology, similarly, is the psychology in which a large number of people persuade themselves that this is not a mere “down” in trade following an “up,” not the trough of a wave shortly to be followed by the crest again, but that it is sheer catastrophe, the fall to a lower plane of existence which is to be permanent. I think it is rather important that as many people as possible at this time should recognise that there is such a thing as a slump psychology, because if they recognised it the slump would be very much less bad than it is. I am not saying that the trade slump and the slump in securities is entirely a matter of psychology. Far from it. What the cause of the trade cycle is nobody probably knows, but psychology does play an important part in it, and it does seem to me important now that we should recognise that fact, because if more people did so they would not talk a great deal of nonsense about the present situation. They would not suppose, for instance, that the slump in trade in this country now is entirely due to our own shortcomings, or rather, the shortcomings of our Government. The Labour Government has precious little to do with the present fall in securities or the present slump in trade. I doubt if taxation has anything like as much to do with it as one or two speakers—Mr. Samuel, for instance—were inclined to make out. After all, we are not suffering worse than any other part of the world or than a good many other parts of the world. We started, I agree, from a worse level in the fact that we had a million unemployed to start with, but relatively to that level we are not suffering worse than other countries. We are suffering less than the United States even, less than Germany, far less than Australia, so that if we can only persuade ourselves of that fact, and as soon as we do persuade ourselves of that fact, we shall find that the slump is fast disappearing. As soon as that happens, taxation—whether or not the Colwyn Committee was right, as I even now dare to think it was—will bulk not so greatly in our consciousness; we shall not be so greatly oppressed by its burden. That is all I have to say, except to thank Mr. Hartley Withers for allowing me to say it.

THE CHAIRMAN: I have no more speakers on my list, but I should just like to say a word of thanks to Mr. Hartley Withers. I have heard it said that the best way of finding out the value of money is to try to borrow some. (Laughter.) Mr. Hartley Withers has told us that the value of securities is ascertained by finding out what you can get for them, and that is true; but the actual test, of course, is supply and demand. Supply or demand is influenced by various causes—psychological and material; but supply and demand surely is the ultimate test of the value of a security. I will ask Mr. Hartley Withers to reply to the various speakers.

MR. HARTLEY WITHERS: I have very little to say, I think, in answer to this discussion, except that I should just like to correct, and refute, I hope, one accusation thrown at me, which was that I had not said anything about the very efficient care which accountants take of directors. (SIR JAMES COOPER: “Enough was the word.”) I am sorry. My recollection is that in talking about the prices that directors put against wasting assets, I referred very distinctly to the tutelage—the excellent, beneficial tutelage was what I meant to say, if I did not—exercised by members of your profession. If I did not make that clear enough I can only say I am very sorry. As to other matters, I should like to suggest that in an assembly like this, in which one would have expected the most rigorous accuracy to be exercised by all the speakers, it is a little surprising to hear, not once, but twice, that gilt-edged securities at the present moment are at record figures. May I remind you that in 1896 Consols went up to 114, and they are now somewhere below 60? I should not like to say where. If those are record figures, we must put a new meaning to the word “record.” I should like to say just one other thing. I know you all want to get home, and I quite agree with the feeling, but before we go I should like to say how extremely satisfactory it was to me to hear my old friend, Mr. Hobson, have the courage to get up and say that we are not all dead. (Laughter.) I am perfectly certain he is right, and I hope we will all go home and paste that in our hats and keep it there. (Laughter and applause.)

MR. THOMAS KEENS, F.S.A.A.: Every preceding speaker has made it a point in his speech to thank the Lecturer this evening, and, therefore, nothing remains for me but simply to put it to you that you endorse what they have said—in which I cordially join. As the hour is late, I am going to content myself with saying ditto, and to propose a formal vote of thanks to Mr. Hartley Withers, which it is obvious you will cordially support in view of the way in which you have listened to and enjoyed the lecture. (Applause.)

MR. G. ROBY PRIDIE, F.S.A.A.: It gives me much pleasure as Vice-President of the Students' Society, as well as on my own behalf, to second the resolution that a hearty vote of thanks be accorded to our Lecturer.

The vote was passed with acclamation, and Mr. Hartley Withers made a brief acknowledgment.

MR. WALTER HOLMAN, F.S.A.A.: One of the influences which have affected and promoted the security of the Students' Society in the past has been the support given to us by our senior members. (Hear, hear.) We are honoured in having Sir Stephen Killik as our President this year, and we thank him for his presence in the chair to-night. (Hear, hear.) Without moving a formal vote of thanks and getting it seconded, I will ask you to accord to him your very best thanks. (Applause.)

West of England District Society of Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of the West of England District Society of Incorporated Accountants was held at the Royal Hotel, Bristol, on Thursday, October 16th, and was attended by a company numbering well over a hundred. Among those supporting the President of the District Society, Alderman H. M. B. Ker (Bridgwater), were the Lord Mayor and Lady Mayoress of Bristol, the Sheriff of Bristol, the President of the Society of Incorporated Accountants and Auditors (Mr. Henry Morgan), the Mayors of Wells and Bridgwater, the Presidents of Bristol, Bath, and Bridgwater Chambers of Commerce, Mr. S. W. Cornwell (President of Bristol Society of Chartered Accountants), Mr. C. Meade-King (President of Bristol Incorporated Law Society), Mr. W. J. Pallot (President of the South Wales and Monmouthshire District Society of Incorporated Accountants), Mr. Percy Walker (Hon. Secretary of that Society), Mr. Ernest E. Edwards (Assistant Parliamentary Secretary of the Parent Society), Mr. E. M. Tapson (Bristol City Treasurer), Mr. Harold Bedale (Town Clerk of Bridgwater), Mr. B. C. Brown (Glastonbury Borough Treasurer), Mr. Sidney Foster (Vice-President of the District Society), and Mr. F. A. Webber (Hon. Secretary).

Sir ERNEST COOK (Chairman of Bristol Education Committee) proposed the toast of "The Society of Incorporated Accountants and Auditors." Sir Ernest said he looked upon the Society as a very important factor in the welfare of the country. In a reference to Bristol City Council he remarked that they put—and he thought this the greatest honour they could pay them—implicit trust in their accountants and their auditors. Extreme care was taken that only proper people could join the Society, and he thought the body could not fix too high the ideal for those who wished to enter it and carry on the profession. He found that the Society had the highest of examinations which a candidate was expected to pass before he became a member. For the last eighteen months he had been sitting on a Commission in London established by the Board of Education to go into the question of examinations of all sorts, seeing if any improvement could be introduced, and if so, offering advice as to the way in which this could be done. In the course of the investigations the Commission had to enter into the details of the tests of every examining body, he thought, in the country, and in a very large majority of cases they came to the decision that it was possible and necessary that some of the details should be modified in order to make the results more effective. Details of the Society's examinations came before the Commission. They decided that in no way could they alter or modify the tests that Society had established. (Applause.) In the present condition of affairs, both national and municipal, it was necessary that authorities should have the assistance of gentlemen qualified, as were those before him, to see that so far as it was possible they would get twenty shillings value for every £1 spent. If that were done, he thought there would be found a diminution of fanciful expenditure which would bring the national and municipal finances into a satisfactory condition. (Applause.)

Mr. HENRY MORGAN, in responding to the toast, expressed appreciation of the valuable services which had been rendered by Mr. Webber not only to the District Society but also to the Parent body. Members would be aware that three weeks ago a Conference of members of the Society was held in Sheffield, and in connection there-

with he spent a week in the North of England. He visited many important industrial towns. The serious state of many great industries in the North was still apparent. Whereas many works were closed, many others were working at very much less than normal rate. It was not, he thought, generally realised in London and the South of England how alarming was the state of trade in many of the great industries. Within the last twelve months 54 Lancashire cotton merchants had gone out of business. A very large number of Yorkshire mills had been dismantled, and some Yorkshire manufacturers were considering, as an alternative to scrapping, the transfer of their plant and machinery to other countries in order to overcome the tariff barriers which were fatal to the production of their goods in this country; and in one case at least this step had already been decided on.

The unemployment returns showed that the percentage of the workpeople unemployed in many important manufacturing towns varied from 33 to as high as 55 per cent. of the insured population. It was significant that whilst the numbers employed in transport and distributive trades, and in the production of goods and articles required mainly for home consumption, generally showed an increase or had been maintained during the last five years, the numbers employed in the heavy industries such as those of coal, iron, steel, engineering, shipbuilding and textiles showed a very serious and continuing decline. Great industries could not carry the heavy burdens with which they were saddled to-day if we were to compete successfully with foreign countries whose people were willing to work longer hours for lower wages and whose industries were protected and free of many restrictions to which our manufacturers were subject.

The alarming state of the nation's trade was only too forcibly illustrated by the revenue and expenditure returns for the half-year just ended. By increasing the income tax and sur tax, Mr. Snowden hoped to raise an extra £28,500,000 in the full financial year, yet for the first half-year the increase was only £4,400,000 despite the extra 6d. in the £. The effects of bad trade and reduced purchasing power were reflected by the returns for Customs and Excise duties. Mr. Snowden budgeted for an increase of £5,300,000 for the full financial year from these sources, yet for the first half-year there was actually a falling off to the extent of £2,800,000. Taking revenue as a whole, we found that the estimates of the current year were £39,000,000 higher than the sum actually collected in the previous year, yet the actual sum collected in the half-year just closed was 4½ millions less than that collected in the corresponding period of the previous year.

On the expenditure side, the picture was, if anything, even darker. Despite a decline of nearly £12,000,000 in the cost of the National Debt, due to lower rates of borrowing, expenditure for the half-year showed the large increase of £19,000,000. Thus, the only conclusion to be drawn from the half-year's returns was that we were faced with the virtual certainty of a considerable deficit on the full financial year. It was therefore obvious that next year, if the Budget was to be balanced, either there must be a drastic curtailment of national expenditure, or else increased revenue must be raised from existing sources, or new sources of revenue would have to be found. He saw no evidence of decreased expenditure. At this time, when economy and indeed sacrifice were necessary to meet the serious position in which the country found itself, there was no move to bring about any reduction in the dole, which was having such a demoralising effect upon the working population. Men holding responsible public positions were expounding the pernicious doctrine that the governing factor in regard to expenditure on social services should be the question whether value was being obtained for the money expended.

With regard to revenue, it would be difficult to obtain a greater yield next year than in the current year. As far as income and sur tax were concerned, not only must the total gross assessments show a big decline, but the heavy losses this year must result in heavy repayments during next year in the shape of sect. 34 claims, which Incorporated Accountants would so readily appreciate. It might be suggested that the rates should be raised, but in taxation there must be a saturation point beyond which, if the rates were raised, the yield would not be increased. This saturation point must vary and would be lower in times of severe trade depression than in times of prosperity.

Changes had been rapid and the views regarding our fiscal policy thirty years ago were incompatible with the world trade conditions of to-day. Our relative superiority in manufacturing methods and skill had practically disappeared, and the theory that it was our manufactured goods upon which we relied for the purchase of food and raw materials required this important qualification: provided we can produce them as cheaply or more cheaply than other great manufacturing nations. He failed to see how many of our industries could be maintained and new industries established unless steps were taken to ensure conditions no less favourable than those enjoyed by their competitors in other countries.

He was convinced that courage and resource of the people would ultimately overcome the difficulties with which we were beset. He was not one who was left quite unmoved by the returns of our foreign trade, and it must be recognised—and he believed that all parties and all classes were recognising—that the vital need was for resolute and perhaps drastic measures to revive our industries and to cure the alarming state of unemployment. This country in the past had emerged successfully through periods of grave anxiety, danger, and difficulty, and therefore he looked forward with hope and confidence to the dispersal of those dark clouds which overhung the nation. (Applause.)

Ald. THOMAS KEENS, F.S.A.A., of Luton and London, who proposed "The Lord Mayor and Corporation of the City and County of Bristol," spoke of the city's long and great past, and her spirit of modernity shown in her industries, docks, airport and town planning scheme.

The LORD MAYOR, responding, said he ventured to think that the city was as progressive as any in the country. The spirit of the people was equal to-day to that of any of the days of past history—even those of the old Merchant Venturers. He thought Bristol had some industries that even in these times had figures that would come out very well. Those of others were not so good. The year had been a great one for the city—he was talking, in the first place, of the spirit of the people, which he thought was displayed in the way in which citizens were prepared to give for the benefit of others. Experts from all parts of the world stated that the Bristol docks at Avonmouth were the most up-to-date in the United Kingdom, and were twenty years ahead of requirements. This year the figures of Bristol docks enterprise showed an easy record. They were the only docks of any importance that were owned by a municipality.

The great enterprise was controlled by a committee of men who gave their services voluntarily, and these men were able to bring home those magnificent results—of course, in co-operation with an excellent staff. This year Bristol had again much to be thankful for in regard to benefactions, some of which he specified. He also spoke of the municipal airport and the electricity generating station at Portishead, which would be made a distributing station for the whole of the West area.

The CHAIRMAN made a presentation on behalf of the Committee of a pair of three-light silver candelabra to Mr. F. A. Webber in recognition of his services as Hon. Secretary, which office he had held for over ten years. Mr. Webber, said Alderman Ker, was appointed when the work was comparatively light. Since then the Society had grown both in membership and territory, and at the present time their membership was at least three times as great. (Applause.) During those ten years Mr. Webber had ungrudgingly given of his time to attend representative conferences in all parts of the country, largely on the business of the District Society. Ten years ago there were perhaps half-a-dozen lectures in Bristol, and now there were something like eighteen or twenty spread over the whole area of the district between Gloucester and Plymouth. This was largely the work of the Hon. Secretary.

Mr. WEBBER, who was made the subject of an impromptu and cordial toast, afterwards returned thanks for the presentation, and said he hoped he might continue working for the development of the Society.

The CHAIRMAN proposed "The Guests," and Mr. C. T. CULVERWELL, M.P. for Bristol West, replied. Mr. Culverwell remarked that the professional accountant occupied a most privileged and advantageous position. As an example, with his vast experience and knowledge he was able to fill in his Income Tax forms accurately. (Laughter.)

Several artists very well known in the city entertained during the evening.

CHARTERED INSTITUTE OF SECRETARIES.

The following are extracts from the report of the Council presented at the 39th annual general meeting of the Institute on Thursday, October 23rd:—

MEMBERSHIP.

During the year ended August 31st the net increase in membership was 148. On that date the number on the roll was 6,446, of whom 2,276 were Fellows and 4,170 were Associates. 288 new members were elected, and seven former members were re-admitted to membership during the year. The number of members whose membership ceased through death or other cause was 147.

EXAMINATIONS.

The results of the examinations held in December, 1929, and June, 1930, were as follows:—

December, 1929.	Candidates.	Passed.
Preliminary	58	36
Intermediate	773	341
Final	419	202
June, 1930.		
Preliminary	176	102
Intermediate	1,083	478
Final	468	186
Totals.		
Preliminary	234	138
Intermediate	1,856	819
Final	887	388
	2,977	1,345

SECRETARY'S VISIT TO CANADA.

In February last, in response to the request of the Dominion Council, the Council of the Institute arranged for the Secretary to proceed to Canada.

As a result of his visit new branches have been formed at Ottawa (Ontario) and Vancouver-Victoria (British Columbia).

The Dominion Council, which had fulfilled its purpose of establishing branches in Canada, has been, by general consent, dissolved, and the two existing branches at Montreal (Province of Quebec) and Toronto (Province of Ontario), as well as the two new branches, now communicate direct with headquarters.

UNIVERSITY COURSES.

The classes in secretarial practice, established by the Institute in conjunction with the University authorities, at London, Sheffield, Durham (at Armstrong College, Newcastle-on-Tyne), and Edinburgh, have been continued during the year, and contribute to the fuller training facilities for students in those areas.

Arrangements have been made with the Universities of Toronto and Manitoba (at Winnipeg) to establish at each centre, as an experiment, a lectureship in secretarial practice for a full University session for the purpose of enabling an Institute examination course of classes at those centres to be held in association with existing classes in other subjects.

SCHOOLS OF COMMERCE.

The experimental arrangement whereby a pass in the secretarial examinations in certain subjects (limited to three) is recognised in lieu of a pass in the same subjects of the Intermediate examination has been continued during the year at the centres named below:—

City of London College; City of Birmingham Commercial College; Bradford Technical College; Cardiff Technical College; Glasgow and West of Scotland Commercial College; Huddersfield Technical College; Leeds College of Commerce; Liverpool City School of Commerce; Manchester High School of Commerce; The Polytechnic, Regent Street (London).

The following have been added to the list for the same concession:—Heriot-Watt College (Edinburgh); Newcastle-on-Tyne Municipal College of Commerce.

EXAMINATION SYLLABUS.

Reference was made in last year's report to the revisions in the Intermediate and the Final examinations to operate in June, 1931. The detailed syllabus for the various subjects has been settled and has been published in the *Secretary*.

The concession in Rule 6 of the Intermediate examination of a pass in that examination on four subjects out of the prescribed seven has been extended to graduates of the University of Montreal (Province of Quebec). It extends already to graduates of the Universities of McGill (Province of Quebec) and of Toronto (Ontario).

"SECRETARIAL PRACTICE."

The fourth edition of "Secretarial Practice," the manual of the Institute, was published in July. It is based on the new Companies Act of 1929, which consolidates the law and embraces the fresh statutory provisions of the Companies Act, 1928. With a view to extending the usefulness of the book in the Dominions overseas, a detailed summary has been included of the legislation affecting companies in Canada, South Africa, Australia, New Zealand and India.

The Council has conveyed its appreciation of their labours to the special committee in charge of the work and to Mr. Lionel Cohen, K.C., who prepared this fourth edition.

COMMON FORM OF TRANSFER.

In view of the revision in the form of transfer for stocks and shares incorporated in Table A of the Companies Act, 1929, the model Form of Transfer has been revised in "Secretarial Practice."

FORM OF REQUEST BY EXECUTORS AND ADMINISTRATORS.

As a result of communications that have passed between the Institute and the Law Society some simplification has been made in the Form of Request commonly used by executors or administrators to be placed on the share or debenture register in their own right.

ANNUAL DINNER.

The annual dinner of the Chartered Institute of Secretaries was held at the Guildhall, London, on October 24th, 1930. The chair was occupied by the President, Colonel William Parker, D.S.O., T.D., who was supported by the Vice-Presidents, Mr. Edward Wilshaw and Mr. F. R. E. Davis, and a large number of guests, including the Lord Mayor and Lady Mayoress, the Hon. G. Howard Ferguson, LL.D. (Premier of Ontario), Field-Marshal Sir George Milne, G.C.B., Mr. Justice Eve, Lord Herbert Scott (President, London Chamber of Commerce), Mr. Henry Morgan (President of the Society of Incorporated Accountants and Auditors), Mr. E. Cassleton Elliott (Vice-President) and Mr. A. A. Garrett, M.A. (Secretary), Alderman Sir Stephen Killik, F.S.A.A., Mr. H. Fitch Kemp (President of the Institute of Chartered Accountants), Sir William Plender, and Sir Malcolm Robertson.

The toast list was comprehensive and well arranged to include the principal interests represented at the dinner. The toasts were entrusted to Mr. G. Gurdon Palin, Treasurer, Mr. A. F. Harrison, Past-President, Mr. Edward Wilshaw, Vice-President, Mr. Richard B. Pilcher, Past-President, Mr. F. R. E. Davis, Vice-President, and Mr. W. G. Hislop, member of the Council, and acknowledgments were made on behalf of the Corporation of London by the Lord Mayor, the Forces by Field-Marshal Sir George Milne, Chief of the Imperial General Staff, the Dominions by the Hon. G. Howard Ferguson, Premier of Ontario, Education by Dr. Cyril Norwood, Headmaster of Harrow, the Law and Kindred Professions by Hon. Mr. Justice Eve and Mr. W. W. Paine, the Chartered Institute of Secretaries by the President, and the Guests by Mr. J. S. Austen.

The Hon. G. Howard Ferguson devoted his speech to the relations and the equality which existed between Great Britain and the Dominions. At the Imperial Conference they were seeking to find a means of co-operation between equal partners in the British Empire, and he hoped the labours of the Imperial Conference would be brought to a successful conclusion, particularly in the direction he had indicated. Sir George Milne, in responding to the toast of "The Forces," congratulated the Institute upon having as its President one who was not only a leader in his own profession, but had also had a distinguished career as a soldier. The Right Hon. Sir Malcolm Robertson proposed the toast of "The Chartered Institute of Secretaries" and made reference to the fact that there was present at that dinner Colonel Parker's father, Mr. George Parker, who, it may be mentioned, was an original member of the Society of Incorporated Accountants and Auditors. Colonel Parker expressed his thanks for the personal tributes made to him and his pleasure at having the honour to preside over such a distinguished gathering. He welcomed the representatives of other professions with which the Chartered Institute of Secretaries had co-operated in

all its activities and expressed an optimistic view in regard to the future of the Institute. At the conclusion of the dinner the toast of "The Chairman" was proposed by Mr. P. Lloyd Tanner.

During the proceedings selections were given by the Band of the Royal Regiment of Artillery, under the direction of Captain E. C. Stretton.

District Societies of Incorporated Accountants.

BELFAST.

The first of a series of monthly luncheons organised by the Belfast and District Society of Incorporated Accountants and Auditors was held on October 22nd, when Mr. J. B. McCutcheon read a paper on "Deeds of Arrangement." Mr. McCutcheon dealt with the various kinds of deeds of arrangement, and pointed out the difference between the law of Northern Ireland and the English Law. He also explained the provisions of the Bankruptcy Law Amendment Act of 1929 affecting deeds of arrangement. In the course of an interesting discussion on the lecture, it was suggested that the time was opportune to revise the existing Bankruptcy Laws of Northern Ireland in order to bring them into line with the English Law.

The meeting concluded with a vote of thanks to the Lecturer, proposed by Mr. D. T. Boyd, F.S.A.A., and seconded by Mr. Norman Booth, F.S.A.A., which was conveyed to Mr. McCutcheon by the Chairman, Mr. James Baird, F.S.A.A., President of the Belfast Society.

BIRMINGHAM AND MIDLAND.

Syllabus of Lectures and Meetings, 1930-31.

1930.

- Oct. — Weekly Pre-examination meetings of Students.
Oct. 31st. "Bankruptcy and Liquidations," by Mr. S. Cameron Ollason, F.C.A., of Liverpool. This lecture is by invitation of the Birmingham Chartered Accountants' Students' Society, and will be held at 8, Newhall Street. The members are invited to tea at 6.30 p.m.

- Nov. 11th. Discussion: "Consideration of Examination Papers." *Chairman*: Mr. A. P. Bardell, Incorporated Accountant.

- Nov. 26th. "Annual Profits and Gains," by Mr. P. Barnes, H.M. Inspector of Taxes, Birmingham 1st District. *Chairman*: Mr. E. T. Kerr, President of the Birmingham and Midland Society.

- Dec. 12th. Discussion: "Minimum Scope of Audit," opened by Mr. T. Harold Platts, Incorporated Accountant.

- Dec. 15th. Annual Dinner at the Queen's Hotel.

1931.

- Jan. 9th. "Costing," by Mr. W. H. Grainger, Incorporated Accountant.

- Jan. 23rd. Mock Meeting of Shareholders arranged by the Students.

- Feb. 13th. Discussion: "Finance Act, 1930."

- March 11th. "Costing," by Mr. A. H. Ripley. This lecture is by invitation of the Birmingham and District Branch of the Chartered Institute of Secretaries, and will be held at 110, Colmore Row, Birmingham.

March 13th. "The Companies Act, 1929, in Operation," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. The Birmingham Chartered Accountants' Students' Society and the Birmingham and District Branch of the Chartered Institute of Secretaries have been invited to this lecture.

Lectures will commence at 6.30 p.m. and be held at the Society's Room and Library, 126, Colmore Row, Birmingham, unless otherwise notified.

LEICESTER.

Syllabus of Lectures, 1930-31.

(Held at the King's Restaurant, Belvoir Street, Leicester, at 6 p.m.)

1930.

- Oct. 21st. "The Companies Act, 1929," by Mr. W. H. Grainger, F.S.A.A. *Chairman*: The President.

- Nov. 11th. "Statistics and their Application to Accounts," by Mr. J. W. Mee, A.S.A.A. *Chairman*: Mr. O. N. Holmes, F.S.A.A.

- Dec. 3rd. "Back Duty," by Mr. A. W. Rawlinson, A.C.A. *Chairman*: Mr. R. M. Branson, F.S.A.A.

1931.

- Jan. 27th. "Deeds of Arrangement," by Mr. E. Westby-Nunn, M.A., LL.B. *Chairman*: Mr. W. H. Rhodes, A.S.A.A.

- Feb. 17th. "Death Duties," by Mr. C. A. Sales, LL.B., F.S.A.A. *Chairman*: Mr. O. A. Watson, A.S.A.A.

- Mar. 3rd. "Costing," by Mr. E. Miles Taylor, F.C.A., F.S.A.A. *Chairman*: Mr. A. J. Smith, A.S.A.A.

- Mar. 18th. "New Businesses and Cessations," by Mr. P. Kelly (H.M. Inspector of Taxes). *Chairman*: Mr. C. M. Tustain, A.S.A.A.

(Held at the Old Oak Café, Gold Street, Northampton, at 6 p.m.)

1930.

- Oct. 22nd. "The Companies Act, 1929," by Mr. W. H. Grainger, F.S.A.A. *Chairman*: Mr. W. E. Warrington, A.S.A.A.

- Dec. 2nd. "Back Duty," by Mr. A. W. Rawlinson, A.C.A. *Chairman*: Mr. A. C. Towers, F.S.A.A.

1931.

- Feb. 16th. "Death Duties," by Mr. C. A. Sales, LL.B., F.S.A.A. *Chairman*: Mr. L. Benbow, F.S.A.A.

- Mar. 4th. "Costing," by Mr. E. Miles Taylor, F.C.A., F.S.A.A. *Chairman*: Mr. D. H. Jelley, F.S.A.A.

LIVERPOOL.

The annual meeting of the Liverpool District Society was held on September 18th, when there was a large attendance. The President, Mr. Charles M. Dolby, F.S.A.A., was in the chair, and in his address reviewed the events of the past year in connection with the profession and the Society. The report and accounts were presented to the meeting and adopted.

ELECTION OF OFFICERS AND COMMITTEE.

Mr. Dolby was re-elected President of the Society, and Mr. Cecil Semper, F.S.A.A., Vice-President. Mr. Charles M. Dolby, F.S.A.A., was appointed Hon. Treasurer, and Mr. E. S. Goulding, F.S.A.A., Hon. Auditor. The retiring members of the Committee, Mr. A. E. Noon, Mr. T. T. Plender, and Mr. C. Semper, were re-elected, and under the alteration to the rules, which increased the membership of the Committee, the following members were elected to fill the vacancies:—Mr. L. Bailey, A.S.A.A., Mr. E. Chetter, F.S.A.A., Mr. S. W. Hanscombe, A.S.A.A., Mr.

W. Bertram Nelson, A.S.A.A., Mr. J. C. Summerskill, A.S.A.A.

A vote of thanks was passed to the retiring Officers and to Mr. Alexander Hannah, the Hon. Secretary.

Syllabus of Lectures, 1930-31.

1930.	
Oct. 16th.	Visit to Works of Messrs. Johnson Brothers (Dyers), Limited, Bootle.
Oct. 30th.	Joint Debate with the Liverpool Chartered Accountant Students' Society at Union Court.
Nov. 18th.	Discussion on Income Tax. To be opened by Mr. C. Dudley Thayer.
Nov. 19th.	"Banking and Currency," by Mr. F. C. Morris, M.A., B.Com.
Dec. 3rd.	"Amalgamations," by Mr. Bertram B. Benas, B.A., LL.B.
Dec. 11th.	Mock Creditors'-Meeting.
1931.	
Jan. 7th.	"The Revenue and the Accountant," by Mr. A. E. Hepworth, H.M. Inspector of Taxes.
Jan. 22nd.	"The Conduct of a Social Survey," by Mr. D. Caradog Jones, M.A.
Jan. 28th.	"Municipal Accounting Methods," by Mr. J. Boucher, F.S.A.A., Borough Treasurer, Wallasey.
Feb. 4th.	"Some Later Thoughts on the Companies Act, 1929," by Mr. F. Raleigh Batt, LL.M. (Dean of the Faculty of Law, University of Liverpool).
Feb. 19th.	"The Financial Page," by Mr. A. Wetherell, Financial Editor, <i>Liverpool Daily Post and Mercury</i> .
Mar. 5th.	"Executorship Law and Accounts," by Mr. E. Westby-Nunn, B.A., LL.B.
Mar. 19th.	Ten-minute Papers by Members.
Mar. 26th.	Students' Impromptu Speeches for President's and Vice-President's Prizes.

Meetings will be held at 6.15 at The Reform Club, Dale Street, Liverpool.

NEWCASTLE-ON-TYNE.

ANNUAL MEETING.

The annual general meeting was held at Newcastle-on-Tyne, on October 15th. The President, Mr. Wm. Metcalf McKenzie, F.S.A.A., occupied the chair, and there was a good attendance of members. The report and accounts for the year to June 30th, 1930, were adopted. Mr. McKenzie was re-elected President, and Mr. W. H. Stalker and Mr. Fred W. Smith were re-elected Vice-Presidents. The retiring members of the Committee, Mr. T. Rodger, Mr. H. J. Thompson, and Mr. A. M. White were re-elected. Mr. Harold Major was re-elected Hon. Auditor.

After the business of the meeting was concluded Mr. E. Westby-Nunn gave a short address on "Points arising under the New Companies Act."

Report.

The Committee have pleasure in presenting the annual report and accounts for the year ended June 30th, 1930. They desire to record their thanks to those gentlemen who have so kindly delivered lectures to the District Society during the year.

MEMBERSHIP.

The membership at June 30th, 1930, was as follows:—

	Fellows.	Associates.	Total.
In practice ..	38	38	76
Not in practice ..	2	101	103
Students ..	40	139	179
			145
Total ..			324

The total at June 30th, 1929, was 272.

MEETINGS.

The following meetings and lectures were held during the year:—

"Principal Alterations in the New Companies Act," by Mr. Wilfred H. Grainger, F.S.A.A.

Dinner at the County Hotel, Newcastle. The Lord Mayor and Sheriff of Newcastle-on-Tyne were present and the Parent Society was represented by Mr. Walter Holman, Member of Council.

Annual General Meeting.

Two Open Meetings to discuss Accountancy Matters.

"Contract Law in Daily Life," by Mr. W. Summerfield, M.A., B.C.L. (at Middlesbrough).

EXAMINATIONS.

Twenty-eight students were successful at the examinations of the Parent Society, fourteen passing the Final and fourteen the Intermediate.

CONFERENCE AND KINDRED SOCIETIES.

Official functions of the Birmingham, Yorkshire and Bradford District Societies were attended during the year by Mr. Darnell, Mr. McKenzie, and the Hon. Secretary; and Mr. A. M. White attended a Conference at Incorporated Accountants' Hall.

COMMITTEE.

The members of the Committee who retire at June 30th, 1930, are Mr. T. Rodger, Mr. H. J. Thompson, and Mr. A. M. White. They are eligible, and offer themselves for re-election.

NORTH-WEST LANCASHIRE.

Annual Report.

The Committee have pleasure in presenting to the members the following report on the work of the Society for the year ended July 31st, 1930.

The printing of the annual report is a new departure in the history of the Society, a development which is deemed to be desirable in view of the adoption of Bye-law 24 and the influx of many new members, consequent upon the revised arrangements governing the constitution of the District Societies, as a result of which it is hoped that the activities of the Society will be greatly stimulated.

MEMBERSHIP.

The total membership of the Society on July 31st, 1930, was 153, consisting of 100 full members and 53 students, every member of the Parent Society automatically becoming a member of the District Society covering the area in which he carries on business or is employed.

LECTURES.

During the year it was found possible to arrange only two lectures: "Income Tax," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A., London; "Companies Act, 1929," by Mr. C. A. Sales, LL.B., F.S.A.A., London.

EXAMINATIONS.

The Committee feel that the members generally will desire to tender their hearty congratulations to the candidates who were successful in their examinations during 1929-30. Six candidates passed the Final examination and ten the Intermediate.

LIBRARY.

The Committee have recently purchased a number of books to replace those which are now obsolete, and it is hoped that students will take full advantage of the facilities afforded.

Our thanks are due to the Secretary of the Incorporated Accountants' Students' Society of London for the gift of a bound volume of lectures delivered in 1929; and to the *Incorporated Accountants' Journal* for a volume of this periodical for 1928-29. Both these books have been added to the Library.

PARENT SOCIETY.

The Society was represented by Mr. Allison Davies at the Conference of Representatives of District Societies in London in May last. The Conference was held to discuss the work and organisation of District Societies.

The Committee have considered and approved the model rules for District Societies prepared on behalf of the Council, and it is expected that these rules will be adopted

by the Society at an early date. A copy of the rules will be sent to each member when ready.

ANNUAL DINNER.

The first annual dinner was held at the Park Hotel, Preston, on December 2nd, 1929, when Mr. Henry Morgan (President of the Society) was the guest of the evening. Other guests included the Mayors of Preston and Chorley, the Town Clerk of Preston, the Registrar of the Chancery of Lancashire, the Clerk to the Commissioners of Income Tax, and representatives of the Law Society, Chamber of Commerce, and the Lancashire County Council. The function was an outstanding success. The second annual dinner will take place on Monday, December 1st, 1930, when it is confidently anticipated that there will be a full gathering of members to greet the President and other representative guests.

CONCLUSION.

In conclusion, your Committee would urge upon all members the desirability of their supporting the various activities of the District Society by every means in their power, and in particular by a regular attendance, as far as their engagements will permit, at the lectures which have been arranged not only for the benefit of the younger members who are preparing for the examinations of the Parent Society, but also with the object of disseminating practical information which may prove helpful to practising members in the discharge of their professional functions.

Syllabus of Lectures, 1930-31.

1930.

Nov. 19th. "The Powers and Duties of Receivers," by Mr. C. J. Hemelryk, Barrister-at-Law, Preston.

Dec. 3rd. "The Accounts of Limited Companies," by Mr. W. S. Carrington, A.C.A., London.

1931.

Jan. 21st. "The Effect of Recent Legislation and Case Decisions on Income Tax Practice," by Mr. H. A. R. J. Wilson, F.S.A.A., London.

Feb. 25th. "The Law of Partnership," by Mr. John Ambler, Solicitor, Preston.

Mar. 18th. "Case Decisions affecting Auditors," by Mr. C. A. Sales, LL.B., F.S.A.A., London.

The lectures will be given at the Preston and County Catholic Club, Winckley Square, Preston, at 7.30 p.m.

NORTH STAFFORDSHIRE.

ANNUAL MEETING.

The annual meeting of the North Staffordshire District Society of Incorporated Accountants was held at the Town Hall, Hanley, Stoke-on-Trent, on October 16th. The following were elected as the Officers and Committee for the ensuing year:—President, Mr. D. H. Bates; Vice-President, Mr. R. W. Woodhead; Committee, Mr. F. E. Cheetham, Mr. W. C. Coxon, Mr. E. Downward, Mr. R. Hughes, Mr. W. J. Dean, Mr. F. S. Ralphs, Mr. T. Thompson as Past-President, Mr. J. Davies (Students' representative); Hon. Treasurer, Mr. R. Chapman; Auditor, Mr. J. T. Sandland; Hon. Librarian, Mr. A. Brodie.

The annual meeting was followed by an interesting lecture on Banking by Mr. A. W. B. Grimwade (President of the North Staffordshire Institute of Bankers). The lecture was thoroughly appreciated by over 40 members and students.

It was arranged that the annual dinner of the District Society should be held on December 5th.

Syllabus of Lectures, 1930-31.

1930.

Sept. 20th. "Economics," by Mr. E. Miles Taylor, F.S.A.A. (London). Chairman: Mr. T. Thompson, F.S.A.A.

Oct. 9th. Annual Meeting, followed by a Lecture on "Banking," by Mr. A. W. B.

Grimwade (President, N.S. Institute of Bankers). Chairman: Mr. T. Thompson, F.S.A.A.

Oct. 24th. "Pre-examination Hints," by Mr. E. Miles Taylor, F.S.A.A. (London). Chairman: Mr. J. Davies.

Nov. 27th. "Partnership Law," by Mr. W. H. Abberley, Solicitor, Burslem. Chairman: Mr. J. Paterson Brodie, F.S.A.A.

1931.

Jan. 23rd. "The Devolution and Administration of Estates," by Mr. H. C. Ellis, Solicitor, Burslem. Chairman: Mr. R. W. Woodhead, A.S.A.A.

Feb. 26th. "Executorship Law," by Mr. R. H. Moon, Solicitor, Tunstall. Chairman: Mr. A. Cropp Hawkins, A.S.A.A.

Mar. 27th. "Bankruptcy Law," by Mr. C. J. Pyke (Official Receiver). Chairman: Mr. D. H. Bates, F.S.A.A.

April 23rd. "Company Law," by Mr. Leonard Jones, Solicitor, Longton. Chairman: Mr. F. S. Ralphs, A.S.A.A.

The meetings will be held at the Town Hall, Hanley, Stoke-on-Trent, at 6.30 p.m.

NOTTINGHAM, DERBY AND LINCOLN.

Syllabus of Lectures, 1930-31.

1930.

Oct. 16th. Luncheon, Reform Club, Nottingham.

Oct. 29th. Mock Appeal to Special Commissioners of Income Tax.

Nov. 19th. "Secretarial Practice," by Mr. O. Britzius, A.C.I.S., A.I.S.A.

Dec. 16th. "Executorship Law," by Mr. A. Cousin, Solicitor.

1931.

Jan. 28th. "Divisible Profits," by Mr. E. Westby-Nunn, LL.B., Barrister-at-Law.

Feb. 11th. "Auditing," by Mr. E. Miles Taylor, F.C.A., F.S.A.A.

Feb. 26th. "Receiverships and Liquidations," by Mr. C. A. Sales, LL.B., F.S.A.A.

Mar. 27th. "Law of Partnership," by Mr. W. Summerfield, M.A., LL.B., B.C.L., Barrister-at-Law.

— Annual Dinner, Victoria Station Hotel, Nottingham. (Date to be notified.)

Lectures are held at the Reform Club, Victoria Street, Nottingham, at 6.30 p.m.

SOUTH WALES AND MONMOUTHSHIRE.

Syllabus of Lectures, 1930-31.

1930.

Oct. 15th. "Rationalisation of Industry," by Mr. Percy H. Walker, F.S.A.A.

Oct. 23rd. "The Practical Application of the Law of Contracts," by Mr. W. Elfyn David, Solicitor.

Oct. 31st. "The Finance Act, 1930," by Mr. H. F. Hallam.

Nov. 20th. "Bankruptcy," by Mr. Llewellyn Francis, Solicitor.

Nov. 27th. Joint Debate.

1931.

Jan. 8th. Short Papers by Members:—

"The Balance Sheet," by Mr. K. V. Stephens.

"Accountancy Training," by Mr. Ivor Davies, A.S.A.A.

"Apportionment and the Executors," by Mr. O. J. Thomas.

Jan. 16th. "Practical Points in Private Company Flotation," by Mr. A. H. Friend, F.S.A.A.

Feb. 5th. "Present Day Economic and Industrial Problems," by Mr. A. E. Pugh, F.S.A.A.

Feb. 18th. "Financial Control," by Mr. N. E. Lamb, F.S.A.A.

March 5th. "Shipping Accounts," by Mr. W. J. Pallot, F.S.A.A.

March 13th. Mock Income Tax Appeal.

March 19th. "Income Tax—Back Duty Cases," by Mr. Ronald Staples, Editor of *Taxation*. (Joint lecture with Chartered Institute of Secretaries.)

March 26th. A Mock Creditors' Meeting.

Meetings in connection with the Cardiff Students' Prize Essay Scheme will be held on October 9th, November 13th, and December 18th, 1930, and January 22nd and February 26th, 1931.

Meetings in connection with the Newport Students' Prize Essay Scheme will be held on December 19th, 1930, and February 13th and April 10th, 1931.

Cardiff and District Students' Section.

Mr. W. Elfyn David, Solicitor, Cardiff, was the first lecturer for the session 1930-31 at a meeting held on October 23rd.

The chair was occupied by Mr. E. Ewart Pearce, A.S.A.A., who was supported by Mr. L. R. Williams, F.S.A.A., Mr. Ivor Davies, A.S.A.A. (ex-Chairman), Mr. J. Alun Evans (Hon. Secretary) and a good attendance of student members.

The subject of the lecture was "The Practical Application of the Law of Contracts," and in delivering his address Mr. David took as an example for illustration the setting up of the practice of an accountant. He dealt with the various legal aspects affected by the Law of Contracts in connection with such items as the purchase of the premises and of furniture and equipment, the employment of staff, and the various classes of insurance necessary. An animated discussion followed, and a successful evening was concluded with a hearty vote of thanks to the Lecturer, proposed by Mr. Ivor Davies, A.S.A.A., and seconded by Mr. E. V. C. Nicholls.

At a meeting of the Students' Committee prior to the lecture, preliminary arrangements were made for a dance to be held in the course of the next month or so.

YORKSHIRE.

Syllabus of Lectures, 1930-31.

1930.

Oct. 14th. "Company Law," by Mr. John H. Bromley, Solicitor. *Chairman*: Mr. Wm. Walker, F.S.A.A. (Past President).

Oct. 28th. "Executors' Law and Accounts," by Mr. W. H. Grainger, F.S.A.A. *Chairman*: Mr. P. A. Moulton, F.S.A.A.

Nov. 18th. "The Preparation of a Statement of Affairs in a Creditors' Voluntary Winding Up," by Mr. George R. Lawson, F.S.A.A., B.Com. *Chairman*: Mr. Alfred Walton, F.C.A., F.S.A.A. (Past President).

Dec. 2nd. "Notes on Income Tax and Sur Tax, including the 1930 Finance Act," by Mr. Victor Walton, F.C.A. *Chairman*: Mr. Wm. Gaunt, F.S.A.A.

1931.

Jan. 13th. Joint Meeting with the Bradford District Society of Incorporated Accountants.

Jan. 27th. "Bankruptcy," by Mr. R. C. Davies, Solicitor. *Chairman*: Mr. J. W. Carter, F.S.A.A. (Past President).

Feb. 10th. "Costing, with particular reference to the Treatment of Materials," by Mr. H. Juliusant, F.C.A., F.C.W.A., A.C.I.S. *Chairman*: Mr. H. Threlfall, A.S.A.A.

Feb. 24th. "Income Tax (Back Duty Cases)," by Mr. Stanley A. Spofforth, A.S.A.A. *Chairman*: Mr. T. Revell, F.S.A.A.

Mar. 10th. "Sections of the 1929 Companies Act." Joint Meeting with the Chartered Institute of Secretaries (West Yorkshire Branch). *Chairman*: Mr. Frank Harrison, F.S.A.A.

Mar. 24th. "The Companies Act, 1929," by Mr. O. K. Metcalfe, M.A. (Hons.), LL.M. (Hons.),

Barrister-at-Law, of Gray's Inn. *Chairman*: Mr. Arthur France, F.S.A.A. (President, 1930-31).

All lectures are held at the Hotel Metropole, King Street, Leeds, on Tuesdays, and take place at 6.30 p.m. unless otherwise stated.

The opening lecture of the 1930-31 Session was held at Leeds on October 14th, when between forty and fifty members listened to a lecture on "Company Law," given by Mr. John H. Bromley, Solicitor, Leeds, who dealt with the sections specially applicable to accountants. Mr. Wm. Walker, F.S.A.A., presided.

Incorporated Accountants' Golfing Society.

On October 16th a golf match was played between the Incorporated Accountants' Golfing Society and the Solicitors' Golfing Society at Walton Heath. The result at the end of the day's play was all square.

The scores were as follows:—

	Accountants.	Solicitors.
H. B. F. Lattey v. B. de V. Harcastle	1	—
Malcolm Clarke v. A. T. Keens ..	—	1
G. C. Gladstone v. P. F. Keens ..	—	—
V. P. Kinward v. F. W. E. Morgan ..	—	1
C. H. Parry v. H. J. Sier ..	—	1
R. Allen v. R. J. Mason ..	—	1
C. E. Green v. A. R. King Farlow ..	—	1
J. M. Spice v. W. McIntosh Whyte ..	—	1
R. Attenborough v. B. L. Clarke-Lens	1	—
E. S. Trehearne v. H. I. Godfrey ..	1	—
C. H. Young v. W. Nicholson ..	1	—
F. C. Morrison v. F. Martin Jenkins	1	—
	5	6
H. B. F. Lattey } v. B. de V. Harcastle	1	—
Malcolm Clarke } v. A. T. Keens	—	—
G. C. Gladstone } v. P. F. Keens	—	—
V. P. Kinward } v. F. W. E. Morgan	—	—
C. H. Parry } v. H. J. Sier	—	—
R. Allen } v. R. J. Mason	—	—
C. E. Green } v. A. R. King Farlow	—	1
J. M. Spice } v. W. McIntosh Whyte	—	—
R. Attenborough } v. B. L. Clarke-Lens	—	—
E. S. Trehearne } v. H. I. Godfrey	—	—
C. H. Young } v. W. Nicholson	1	—
F. C. Morrison } v. F. Martin Jenkins	—	—
	7	7

On Wednesday, October 22nd, a golf match was played at the Edgware Golf Club between the Incorporated Accountants' Golfing Society and the Scottish Chartered Accountants in London Golf Club, which resulted in a win for the Scottish Chartered Accountants, who finished 1 up.

The scores were as follows:—

	Incorporated.	Chartered.
C. Reid v. A. Collins ..	—	—
C. Addison Scott v. A. MacGowan ..	—	1
J. Tate v. H. I. Godfrey ..	—	1
J. C. Levay v. A. T. Keens ..	1	—
D. Williams v. P. F. Keens ..	—	—
J. Wood v. L. Jordan ..	—	1
T. Sinclair v. F. W. E. Morgan ..	1	—
J. Davis v. H. J. Sier ..	1	—
W. Nicholson v. H. Morgan ..	—	—
W. N. Downing v. C. W. Legge ..	—	1
D. L. Reynolds v. Thomas Keens ..	1	—
A. E. Woolyer v. T. F. Grundy ..	—	1
	4	5

In the afternoon foursomes were played and resulted in three wins to each side, so that the Scottish Chartered Accountants finished 1 up on the day's play.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS.

GILBERT, LEONARD (Gill & Johnson), Hardinge Street, Nairobi, Kenya Colony, Practising Accountant.

GRAY, THOMAS WHALLEY (Gill, Hornby & Co.), Nakuru, Kenya Colony, Practising Accountant.

ASSOCIATES.

CHoudary, VENIGALLA PICHALAH, B.A., Clerk to G. E. Stringer & Co., 15-16, Thavies Inn, Holborn Circus, London, E.C.1.

ELLIS, JOHN, City Treasurer's Department, Town Hall, Sheffield.

GILL, ERNEST BEASLEY, A.C.A. (Gill & Johnson), Hardinge Street, Nairobi, Kenya Colony, Practising Accountant.

GREEN, KATHLEEN MARY CLIFFORD, Clerk to Spence, Paynter & Morris, 6, Wardrobe Place, Doctors Commons, London, E.C.4.

JOHNSON, PERCY HAROLD, A.C.A. (Gill & Johnson), Hardinge Street, Nairobi, Kenya Colony, Practising Accountant.

JONES, HAROLD WALTER, Clerk to Holloway, Price & Co., Market Harborough.

PROSSER, SYDNEY JAMES, Finance Department, Norfolk County Council, The Shirehouse, Norwich.

REEVES, BERNARD, Clerk to John Lund & Co., City Chambers, 2, Darley Street, Bradford.

ROBERTS, FREDERIC JOHN GUILFORD, Clerk to Harper Smiths, 30, London Street, Norwich.

RYE, CHARLES GEORGE, Clerk to Martin & Acock, 69, London Street, Norwich.

SOPER, PHILIP FRANCIS WILLIAM, Clerk to Halsey and George, Rennie's Buildings, 394, Smith Street, Durban, South Africa.

WALES, CONRAD, H.M. Inspector of Taxes, Milsom Street, Bath.

WHITTLE, FRANK HILTON, Clerk to G. Mackeurtan, Son and Crosoer, 376, Smith Street, Durban, South Africa.

Correspondence.

INCOME TAX AND COSTS OF PRODUCTION.

To the Editors *Incorporated Accountants' Journal*.

SIRS,—Although I agree with some of the views expressed by the writer of "Professional Notes" in the October issue of the *Journal* on the question of the effect upon industry of the present heavy burdens of taxation, both local and national, yet there are certain points upon which I disagree with him, in regard to which he makes positive assertions without citing any evidence of the truth of his contentions. The points on which my opinions differ from those of the writer are set out below, and followed by argument which seems to me convincing. These points relate to Income Tax alone.

It is first stated that "... Income Tax, so far as manufacturers are concerned, is a direct charge on the business."

Secondly, the writer mentions that "... Mr. A. M. Samuel, M.P., has been endeavouring to expose the

fallacy in the report of the Colwyn Committee, which report stated that 'in the view of the Committee, Income Tax is not laid upon sales like a Turnover Tax, but upon the margin of profit, and consequently does not affect the costs of production.'"

Thirdly, the writer affirms that "... Income Tax is undoubtedly a direct cost of production."

With regard to the first point, it is but a categorical statement. Does it mean that, so far as manufacturers and traders are concerned, Income Tax is a direct charge on their businesses regardless of whether they make a profit or not? If not, what does it mean?

Secondly, in view of the fact that the particular part of the report of the Colwyn Committee which is quoted dealt only with the question of comparing a Turnover Tax with the Income Tax, wherein lies a basis for the suggestion of the writer that the Committee dismissed any contention that taxation is a charge upon industry? Taxation in general was not the point under consideration.

Thirdly, if the writer and others so positively allege that Income Tax is a direct addition to costs of production, why do they not give accountants a formula showing how the addition can be computed? Positive assertions without evidence are usually the weapons of those who want to see things as they imagine them to be, and not things as they really are. To include Income Tax in costs of production, profits must be pre-supposed. Of that fact there can be no doubt, for Income Tax is but a charge on profits arising. Not only must profit be pre-supposed, but as the bulk of manufacturing business is carried on by joint stock companies, then if profits are made, the actual Income Tax liability on the profits distributed can only be ascertained by obtaining particulars of each shareholder's Income Tax position right up from exemption to the highest rates of Sur Tax. And what of the concerns that make no profits, and consequently have no need to add Income Tax to costs of production?

It therefore comes to this, that as Income Tax is laid on the proprietors of all businesses according to their incomes from all sources (which as stated, is from exemption up to the highest rates of Sur Tax), complicated further by the fact that losses and not profits may be made, and also complicated by the fact that to ascertain selling prices costs must be ascertained before sales are effected, it would not only be absurd and illogical to attempt to include Income Tax as one of the costs of production, but it would also be, and is, a physical impossibility to do any such thing. Whether Income Tax and Estate Duties and all other taxes are an *indirect* burden upon industry is quite another matter, but to go into that question would require a book, not a short letter or article.

Yours, &c.,

G. O. PARSONS.

London, October, 1930.

[We refer to this matter in our Professional Notes.—*Eds., I.A.J.*]

SERVICE OF ACCOUNTANCY IN THE PRESENT AGE.

To the Editors *Incorporated Accountants' Journal*.

SIRS,—As I was unable to attend the Conference at Sheffield, I have read the admirable report of the proceedings which appeared in your October issue with considerable interest. The immediate cause of this letter is the second paragraph of the section of Mr. Hewetson Nelson's paper captioned "Present and Future of Public Practice" (page 22), upon which I, as a sole practitioner, would like to make a few observations.

The existence of such a numerous company of individual accountants quite obviously indicates that we are supplying a real demand for our services, otherwise we should soon be driven out of economic existence. The fact is that small traders, private companies and private individuals prefer the intimate, friendly, personal help of the small man to the distant, formal, and impersonal handling of their affairs by a large and busy firm. In my own experience clients have withdrawn their business from big firms of Chartered and Incorporated Accountants because they object to being served by clerks, however capable, and because they feel either that the fees they can afford are too small to interest the big firms or because they regard the fees demanded as disproportionately heavy. In many ways our work is analogous to that of medical men, and who on earth wants to entrust his health, physical or material, to a syndicate? Lawyers, doctors, dentists, and accountants are alike in that they are required to give personal attention to individuals—hence the survival and comparative success of the sole practitioner.

There is one other matter to which I should like to refer which is not unrelated to the question dealt with above. Too much prominence and publicity are given to, and far too much emphasis is laid upon, the alleged benefits of large-scale operations—social, financial, industrial and commercial. The blessed word "Rationalisation" is used *ad nauseam*, and tends to obscure rather than to illumine the nature of the task confronting civilisation.

I was delighted to see that our President called attention to the maleficent activities of certain company-mongers and financial jugglers in the "boomlet" of 1928. There will be no recovery of economic health here or elsewhere until there is a general return to the realities of trade and social relations; too long we have suffered because power has been divorced from technical knowledge and responsibility. Here, again, the smaller industrial and commercial unit more frequently "fills the bill" than the larger one, and owner-managed businesses are successfully riding out the present economic gale, while, as is common knowledge, many much-trumpeted public companies are faced with reconstruction or liquidation.

More could be said along these lines and, indeed, was said by Mr. C. M. Dolby, Mr. Percy Walker and others at the Conference, but I have already trespassed unduly upon your valuable space. I hope, however, that I have said enough to justify some criticisms from a humble member of the Society.

Yours faithfully,

H. C. BANTING.

London, October, 1930.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Scottish Hire-Purchase Inquiry.

The Committee appointed by the Secretary of State for Scotland to inquire into the operations of the hire-purchase system in Scotland held several meetings last month, and the inquiry has been closed.

The terms of reference to the Committee were to inquire into and report on the existing law relating to contracts of hire purchase in Scotland, with reference to the contracts commonly inserted in such contracts and the sanction of imprisonment by which such contracts may in certain circumstances be enforced, and to report thereon, and also on the question whether amendments

in the law or administration relating to such contracts are desirable.

The evidence of Mr. John Gibson Jarvey, B.L., chairman of the United Dominions Trust, Limited, King's House, King Street, London, showed that the extension of hire purchase as a method by which suppliers disposed of their merchandise and buyers acquired it had been very marked during the last ten years. This was evidenced by the growth of his own company, which, starting eleven years ago with neither organisation nor connections, had gradually grown until last year the balances financed amounted to over £4,000,000, representing almost five and a half million pounds worth of merchandise. He also stated that the increasing interest shown in hire purchase was recently demonstrated by the action of the Bank of England in taking 250,000 £2 shares in that organisation.

The Governor of Duke Street Prison, Glasgow, in his evidence, stated that in 1929 258 men and four women were incarcerated in prison as a result of the hire-purchase system. In the seven months of this year ending July there were 45 men and one woman. Formerly a considerable number of these civil prisoners were brought in during the night, but this had been stopped. It would appear from other evidence that the great majority of the persons apprehended were owing balances where the value of the articles did not exceed £20, and one of the witnesses estimated that only about one-third of these were really dishonest.

After hearing other evidence, the Committee closed the inquiry, and will present their Report in due course.

The late Mr. Dugald McAlister, F.S.A.A.

We regret to announce the death of Mr. Dugald McAlister, Incorporated Accountant, Glasgow, senior partner of the firm of McLay, McAlister & McGibbon, Glasgow, which took place at the residence of his married daughter, at Hove, Brighton, on the 14th ult. Mr. McAlister was one of the oldest members of the Scottish Institute of Accountants, and has been a member of the Society since 1899. He received his training with one of the principal firms of accountants in Glasgow, and afterwards amalgamated his business with that of Messrs. Bird and McLay, C.A. Mr. McAlister had been in failing health for some months, and was spending a holiday at Hove when he passed away at the age of 75 years. The funeral took place at Rothesay on the 18th ult., and was attended on behalf of the Society by the Secretary of the Scottish Branch.

Scottish Thrift.

The Scottish Savings Committee held their annual conference at Ayr last month. A summary of their work discloses that during the year 4,465,399 Savings Certificates were sold, their cash value being £3,572,319. The number sold in the previous year ended August 31st, 1929, was 4,541,776. Considerable expansion appears to continue in the formation of associations, as the Report states that during the year 146 savings associations had been formed. This, however, was a decrease compared with 225 in 1928-29. Most encouraging results were reported both in membership and amounts contributed through associations formed in connection with schools.

Accountant of Court.

The Scottish Office announces that the King has approved the appointment of Mr. Ernest Edward Parker, M.B.E., to be Accountant of Court under the Judicial Factors (Scotland) Act (1889), in the room of Mr. James Walker Inglis, C.A., who has resigned.

*** Legal Notes are held over on account of pressure on space.*